

**AN INVESTIGATION INTO THE SERVICE DELIVERY BY
COMMERCIAL BANKS IN SOUTH AFRICA**

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DECLARATION OF INDEPENDENT WORK**DECLARATION WITH REGARD TO
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SUMMARY

Research was conducted into the quality of service delivery by the commercial banking industry in South Africa. The purpose of the study was to determine whether respondents were satisfied with the service delivery they received, as well as their perceptions of the banking industry. To determine the above, both clients and banks were surveyed.

A representative response of 550 out of a sample of 2 000 commercial bank clients was obtained. All commercial banks (ABSA, Standard Bank, First National Bank and Nedbank) were surveyed. Client service managers were identified as the preferred person to complete the questionnaire, as they were considered to be the most familiar with client satisfaction levels. A total of four (in other words all banks) responses were obtained. The bank questionnaires contained questions relating to the services delivered and bank perceptions of client satisfaction levels.

Research indicated that clients were generally satisfied with the services delivered by banks. However, there are certain areas with which clients were dissatisfied. These areas were explanation /discussion of services, bank costs and bank staff. Further research indicated, that there was a slight tendency that clients in the high-income groups to be less satisfied with service delivery than clients in the other income groups. A similar situation occurs in relation to age groups as well, with respondents in the older and younger age groups being the most dissatisfied with the service delivery they received.

In relation to banks, all of the four banks (Nedbank, Standard Bank, ABSA and First National Bank) indicated that they delivered quality services on a constant basis. All four banks (Nedbank, Standard Bank, ABSA and First National Bank) also indicated that they had conducted research into their client's satisfaction. However, despite this research the four banks (Nedbank, Standard Bank, ABSA

and First National Bank) indicated that they were of the perception that all their clients were very satisfied with the service they received. This was in contradiction with client's responses.

It was recommended that banks implement a clearly defined research plan and relationship marketing strategy. Attention should be given to the service delivered by staff towards clients to ensure that uniform service is delivered to all clients at all times. It was also advocated that banks explain the services utilised by clients in more detail to ensure that clients possess the necessary information on which to base decisions.

To assist banks a quality service model was developed which may assist banks in delivering good quality, uniform services as well as improving the areas indicated as problematic. In this model three main recommendations were identified namely; the development of a research plan, creation of a relationship marketing plan and increased training of bank staff. However, linked to these were aspects such as service quality improvements, external factors and supplementary forms all of that contribute towards the improvement of the quality of service delivery. Through these recommendations banks are able to determine client's wants (through research), provide these services professionally (due to trained staff) and ensure that clients remain loyal (via relationship marketing), thus improving client satisfaction and bank market share.

OPSOMMING

Navorsing in verband met die kwaliteit van dienslewering van die kommersiële bankebedryf in Suid-Afrika is onderneem. Die doel van die studie was om die tevredenheid van dienslewering, sowel as persepsies van kliënte aangaande die bank bedryf te bepaal. Beide banke en kliënte is in die opname betrek.

'n Verteenwoordigende steekproef van 550 vraelyste van 2 000 bank kliënte is gekies. Volgens die Finansiële Inligting Kontrole Wet, moet alle bank kliënte bewys van 'n fisiese adres aan die bank verskaf. Respondente is geselekteer deur die Akte kantore van die hoof metropolitaanse stede om in elk van die provinsies hul te kontak, en 'n lys van respondente te trek. 'n Stelselmatige seleksie proses is gebruik om die steekproef van 2 000 te kies. Die steekproef is geselekteer uit elke provinsie en is in verhouding met die populasie van die provinsie.

Al die banke (Nedbank, Standard Bank, ABSA and Eerste Nasionale Bank) is betrek in die opname. Kliëntediens bestuurders was die geselekteerde persone om die vraelys te voltooi. Vraelyste is verskaf aan hierdie bestuurders. Al vier die banke (Nedbank, Standard Bank, ABSA and Eerste Nasionale Bank) het die vraelys voltooi. Hierdie vraelys het bestaan uit vrae in verband met dienslewering en die bank se persepsies van hul kliënte se tevredenheid. Die navorsing het aangetoon dat kliënte oor die algemeen tevrede is met die dienslewering van banke. Daar is aangetoon dat daar ontevredenheid bestaan oor die verduideliking van diens, bankkoste en die dienslewering van die personeel.

Die navorsing het verder 'n klein tendens aangetoon dat kliënte in die hoër inkomstegroep die minste tevrede is met die dienslewering wat hulle ervaar het. 'n Soortgelyke resultaat is verkry in verband met ouderdomsgroepe waar die

ouer en jonger kliënte die mees ontevrede is met die dienste wat hulle ontvang het.

Al vier banke (Nedbank, Standard Bank, ABSA and Eerste Nasionale Bank) het aangedui dat hulle kwaliteit dienste lewer ten alle tye. Hulle het ook aangedui dat hulle navorsing oor kliënte-tevredenheid doen. Die banke het aangedui dat volgens hulle persepsies, al hulle kliënte baie tevrede is met die dienslewering. In kontras, het navorsing vir hierdie studie getoon dat kliënte nie heeltemal tevrede is met hul dienslewering nie.

Dit word aanbeveel dat banke 'n spesifieke navorsingsplan en verhoudingsbemarkingsplan implementeer. Aandag moet ook gegee word aan die dienslewering van personeel. Banke moet ook dienste meer volledig verduidelik, want dit is belangrik dat kliënte die nodige inligting het om besluite te maak. Om behulpsaam aan banke te wees, is 'n dienskwaliteit model ontwerp. Deur die model te volg, sal eenvormige kwaliteit diens gelewer kan word, en terselfdertyd sal probleem areas voorkom en reggestel kan word.

In hierdie model was drie hoof aanbevelings benoem naamlik, die ontwikkeling van 'n navorsingsplan, die samestelling van 'n verhoudingsbemarkingsplan en die vermeerdering van die opleiding van personeel. Gekoppel aan hierdie aanbevelings is aspekte soos dienskwaliteit verbeterings, eksterne faktore en vorms wat bydrae tot die verbetering van die kwaliteit van dienslewering van banke. Deur hierdie aanbevelings kan banke, kliënte se behoeftes (deur navorsing) bepaal, dienste professioneel verskaf (deur opleiding van personeel) asook om die lojaliteit van die kliënte te volhou, daarmee verbeterde kliënte tevredenheid en die bank markaandeel te bewerkstellig.

CHAPTER 1

BACKGROUND OF THE STUDY

1.1 INTRODUCTION

Numerous research projects have been conducted into the level of service the commercial banks deliver to their clients. Commercial banks in their own capacity conduct research to determine their clients' perceptions of their service. However, despite these efforts negative perceptions in relation to the banking industry still remain. Recent research indicated a decline in customer satisfaction with the banks (Bhat, 2005: 11 to 20).

1.2 REVIEW OF THE LITERATURE

Preliminary research identified a study by the South African Satisfaction Index (SAS index) conducted in June 2005. According to Pettijohn (2004: 18) research has indicated that in certain areas there has been a decrease in service satisfaction. The SAS index concentrates on a few specific services and derives results and perceptions therefrom. This study focused on clients' perceptions of the service delivery of commercial banks as a whole rather than on specific services. SAS research aims solely at providing the results of the survey and no attempt is made at providing suggestions for improvement of the level of service or the areas identified as being rated as less satisfactory by respondent.

Research (SAS index) indicated that there had been an overall decline in client satisfaction since 2005, with all major commercial banks showing a decline in their client ratings. Staff performance in particular was indicated as being below satisfactory levels (Pettijohn, 2004: 11).

1.2.1 Services marketing

This study was aimed at the commercial banking industry, which is a service-based industry. Therefore services marketing, forms the basis for the literature study.

Services' marketing is utilised by those companies where the market offering is a service. Commercial banks engage in service marketing as they facilitate clients in obtaining and managing their finances (Tarn, 2005: 747).

Marketing is often defined as identifying and satisfying the needs and wants of clients by providing a market offering to fulfil those needs and wants through exchange processes profitably (Kleindl, 2001: 8; Morrison, 2006: 250). Service marketing, while complex in nature, embraces this concept. A service may be defined as an act or performance offered by one party to another. The performance is essentially intangible. Services create value and benefits for customers by bringing about a change in – or on behalf of – the recipient of the service (Kleindl, 2001: 9).

The above-mentioned definition is applicable to both the service sector and the manufacturing of tangible goods. Boone and Kurtz (2004: 224) indicate that within this definition it is required that two elements be considered. Firstly, clients do not always know what they want. Secondly, that all clients are not the same. Therefore, service delivery is often performed in accordance with client.

1.2.1.1 *Characteristics distinguishing services marketing*

Service marketing has certain characteristics that distinguish it from the marketing of goods. Most notably is the fact that the traditional marketing mix is expanded with three additional elements namely, process, physical evidence and people. Constantinides (2006: 410) indicates that the marketing mix for service

marketing is therefore product, price, place, promotion, process, people and physical evidence.

1.2.1.2 Special characteristics of services marketing

In order to differentiate between the marketing of tangible goods and the marketing of service, it is necessary to discuss the special characteristics of a service. Services are intangible in that they cannot be seen, touched or tasted. Due to the fact that services are produced and consumed at the same time, Zeithaml and Bitner (2000: 13 and 14) maintain that the service and service delivery are unique. It is also difficult to separate the service provider and the service. Services are also unable to be stored and are consequently perishable (Ellis, 2007: 29).

1.2.1.3 Quality of service

Perception of quality is influenced by the image of the service provider. The prices charged for the service also influence perceptions. Traditionally a high price is perceived as representative of a higher quality (Zeithaml and Bitner, 2000: 88 to 94; Hultman and Shaw, 2003: 36).

Five dimensions are utilised when assessing quality. Reliability is the first dimension, as clients expect to receive the promised service. Responsiveness as the second dimension refers to the extent to which the business responds to any form of communication from the client. Assurance represents the third dimension. Clients want assurance that the service will satisfy their needs. The fourth dimension is tangibles. These include aspects such as the quality of brochures, pamphlets and invoices that accompany the service. The fifth and final dimension is empathy. Every client wants to be treated individually. Clients expect service providers to recognise their position as unique. In order to

achieve this, relationship marketing is often utilised (Hayes and Ziglar, 2001: 301 and 302; Neill, 2007: 4).

1.2.2 Relationship marketing

Christopher, Payne and Ballantyne (2002: 2) maintain that the primary purpose of any business, whether service or product orientated is to make a profit. It is more beneficial for businesses to maintain clients, as the cost of maintenance is considerably less than that of recruiting new clients. Relationship marketing helps to maintain the client base and therefore good customer service supports relationship marketing (Werner, 2007: 4).

In the banking industry the relationship between the client and the bank stems over a period of years, from the initial bank account right through to the administration of the estate upon the client's death. Accordingly, clients do not experience service delivery only once but repeatedly. Cooil, Keiningham, Aksoy and Hsu (2007: 69) are of the opinion that relationship marketing is imperative in ensuring quality service delivery in all aspects of the client's interaction with the commercial bank. Therefore, the development of relationship marketing is essential within this industry.

From this it is possible to derive a definition of relationship marketing. It can be broadly defined as a strategic approach to the development of appropriate relationships with key customers and customer segments. Through this it is possible to identify, establish, maintain and enhance relationships with customers / clients at a profit so that the objectives of all parties are met (Egan, 2001: 23; Strauss, 2006: 17).

1.2.2.1 *Relationship marketing and traditional marketing continuum*

Industries concentrated on traditional marketing focus on short-term transactions, while those employing relationship marketing aim at developing relationships with customers. This focus rests on customer service. According to Cram (2001: 61) businesses do not however, operate solely according to two extremes. Combinations of the two are utilised by businesses (Pelham, 2006: 42).

1.2.2.1.1 Relationship marketing compared to traditional marketing

Relationship marketing may be compared to traditional marketing in terms of the following. Ryals (2006, 109) identifies five areas of comparison. Firstly, the dominating marketing orientation and the role of the marketing mix in relationship marketing and traditional marketing. Secondly, the dominating quality function and the focus of quality. Thirdly, customer information system and the methods of maintaining contact with customers. Fourthly, interdependency between business functions. Fifthly, the role of internal marketing and the training of non-marketing personnel in developing marketing behaviour towards clients as well as understanding client behaviour (Christopher, Payne and Ballantyne, 2002: 106).

1.2.3 **Consumer behaviour**

At the basis of relationship marketing lies a good understanding of client behaviour. Hawkins, Best and Coney (2004: 12) believe that an understanding of client behaviour assists in a high quality of service delivery, which in the end assist in the development of continued relations with customers.

Sheth and Mittal (2004: 12) believe that in order for banks to deliver high service levels and develop relations with clients, they need to be able to understand how and why clients react as they do. Customer behaviour refers to the mental and

physical activities of clients that result in decisions and actions to use services or goods. Past research has indicated that marketers need to be sensitive to changes in customer needs, demographic characteristics, and lifestyles in order to develop effective marketing strategies.

Marketing strategies need to be based on the factors that influence client behaviour. Two broad influences determine the client's choice. The first is the individual client whose needs, perceptions of brands and attitudes towards alternatives influences brand choice. Personal determinants refer mainly to two classes, namely traits and context. Traits refer to the characteristics that clients possess as individuals. Personal context concerns the socio-econocultural environment in which clients live (Hawkings, Best and Coney, 2004, 367).

The second influence is the environment such as cultures and peer groups that influence the choice to buy. These aspects will determine if clients buy a particular product or service. Sheth and Mittal (2004: 69 to 80) indicate that a market environment involves traits such as climate, ecology and topography, which will influence the client's behaviour. Market context refers to the economy, government policy and technology. These aspects also influence behaviour. All of the service and relationship marketing aspects are utilised within the commercial banking industry to achieve customer satisfaction.

A clear understanding of the motivational forces behind client behaviour and the relationships developed with their clients may assist commercial banks in delivering a higher level of service delivery across all services provided. It is therefore necessary to identify and analyse these services, in order to better understand how relationship marketing and client behaviour can be applied to them.

1.2.4 The banking industry

According to Thatcher, Mahlangu and Zimmerman (2006: 66) in South Africa four main commercial banks (ABSA, First National Bank, Standard Bank and Nedbank) dominate the industry. These authors indicate that any income-generating person cannot manage without a bank account. The banking system in South Africa is widely used, therefore an understanding of the banking industry and system is essential.

1.2.4.1 Banking industry services

South African commercial banks offer a wide array of services/products aimed at a diverse population. There are primarily four broad categories of services that are offered by all banks to the non-commercial sector of the public, namely investment banking, personal banking, loans and foreign exchange. The first category will be classified as Investment banking encompasses all forms of investment in the form of investment deposits, unit trust, will estate and trust administration as well as offshore investments (Okeahalam, 2006).

Personal banking comprises the second category of services. This form of banking is aimed at services offered at individual clients rather than businesses. According to Ayogu and Dezhbakhsh (2004: 836) it includes services such as self-service banking, credit cards, debit cards and transactional accounts. The third category of services is referred to as Loans, which is a well-known form of finance. It is comprised of services such as home loans, personal loans, vehicle finance and overdrafts. The fourth and final category of services is foreign exchange. Foreign exchange is a service where customers are offered the service of exchanging money, investments abroad and the sending and receiving of money abroad.

1.2.4.2 Banking council

The Banking Council of South Africa is an institution, which the commercial banks of South Africa voluntarily join. Its purpose is to govern the actions of banks as well as monitor the relationship between banks and their clients (Thatcher, Mahlangu and Zimmerman, 2006: 66)

1.2.4.3 Complaints

A separate entity independent of the banking industry was developed in 2000 known as The Ombudsman for Banking Services. According to Cooil, Keininghm, Aksoy and Hsu (2007: 69) the Ombudsman investigates complaints from members of the public, mediates between parties to resolve disputes and when mediation is not successful makes recommendations for the settlement of the dispute.

According to Ashforth (2004: 297) the following are the requirements for lodging a complaint with the Ombudsman. Firstly, the complaint must previously have been lodged with the commercial bank. Secondly, a response, with which the client is dissatisfied, must have been received. Thirdly, the complaint must be in writing and fourthly, the commercial banks official complaint number must be cited.

To ensure a higher level of service delivery by commercial banks, the Banking Council formulated a set of regulations governing the actions of commercial banks.

1.2.5 Banking industry regulations

The commercial banking industry of South Africa is regulated by the Usury Act No 73 of 1968. The Usury Act regulates banks in terms of the lending criteria,

repayment options, interest chargeable and confidentiality rights of clients. According to Wohlschlegel (2006: 337) it also allows for the inspection of the activities of money lenders and credit grantors.

The Banking Council of South Africa is comprised of the commercial banks of South Africa. Membership is voluntary. The Council created a Code of Banking Practice aimed at establishing relationships with customers by promoting good banking practice. The Code addresses areas such as the disclosure of terms and conditions, products and services offered. Charges and fees applied by banks are also regulated by the Code of Banking Practice. Confidentiality and privacy are also guaranteed through the code. In addition, the Code also clearly specifies what is regarded as acceptable conduct by banks, as well as what constitutes acceptable conduct of clients. The Code also makes reference to the handling of complaints and the use of the Ombudsman of Banking Services (Kassim and Souiden, 2007: 217 - 228).

1.3 PROBLEM STATEMENT

It was expected that clients currently had lower satisfaction levels and perceptions of the commercial banking industry in relation to what the industry believed the level of service delivery was. As seen in section 1.2 on page 1, there had been an overall decline in client satisfaction with the banking industry. As such it was possible to surmise that satisfaction and client perceptions were below the optimal level.

1.3.1 Hypothesis

It is possible to derive two hypotheses, which may be tested. Firstly, a hypothesis in relation to the service quality levels may be derived. Hereby it is

hypothesis that service quality, as delivered by commercial banks may differ based upon certain factors such as income and age.

Secondly, a hypothesis in relation to industry perceptions of service delivery levels may be tested. Hereby, it is hypothesised that the level of service delivery which clients' experience is the same as that which commercial banks believe they deliver.

1.4 RESEARCH OBJECTIVES

The following were the research objectives of this study.

1.4.1 Main objective

The creation of a uniform service model aimed at improving service within the industry, thus attempting to eliminate the negative perceptions towards the industry.

1.4.2 Sub-objectives

- ✱ Determination of client perceptions of service delivery by commercial banks in South Africa;
- ✱ Determination of clients perceptions and satisfaction levels towards the commercial banking industry;
- ✱ Determination of whether a lack of service delivery contributed to a poor image of commercial banks;
- ✱ Determination of relevant subjects when undertaking a literature study in order to understand the banking industry comprehensively;
- ✱ Determination of the quality of service delivery and customer satisfaction by the commercial banking industry; and

- ★ Determination of commercial banks perceptions of their service delivery.

1.5 VALUE AND RELEVANCE OF THE RESEARCH

While research had been conducted into the service delivery of the commercial banking industry, negative perceptions still remained in relation to the industry. The study contributed towards the better understanding of the commercial banking industry and the creation of a uniform service model aimed at improving service within the industry thus, attempting to eliminate the negative perceptions towards the industry.

Guidelines for high quality service delivery as well as possible solutions to common problem areas within service delivery, which affect quality, are provided. It provides a model by which to introduce higher levels of service quality, implementable within South Africa across all the different banking services offered by the commercial banking industry.

In terms of benefits to society, approximately 11,3 million South Africans make use of the services of the commercial banking industry (SA Business Survey, [n.d]: online). The delivery of a high level of service facilitates the use of the banking industry. Thus improving the economy of the country, by providing a sound, efficient banking system, in which both South Africans and foreign investors can safely invest their money. An increase in investment may also create employment opportunities.

In summary this study is important, as it aims to improve the quality of service delivered by the commercial banks. It therefore aims to improve the professionalism of the industry that is utilised by a vast majority of South Africans on a daily basis.

1.6 RESEARCH METHODOLOGY

This section addresses the means by which the data was collected and processed.

1.6.1 Data collection

This section addresses the means by which the data was collected and processed. Data may be classified according to primary and secondary data and may be collected in numerous ways.

1.6.1.1 *Primary data collection*

Primary data was collected by utilising both questionnaires and interviews. Primary data collected was mainly utilised to determine client perceptions of service delivery by the commercial banking industry.

1.6.1.1.1 Commercial banks

In order to determine commercial bank's perceptions of their service delivery they were surveyed. There are four main commercial banks in South Africa dominating the banking sector. All four banks were approached to complete a questionnaire pertaining to service delivery. Questionnaires were e-mailed to the various banks, with reminder emails being sent when necessary.

1.6.1.1.2 Clients

This study aimed to determine the quality of service delivery as perceived by individuals for personal use. Commercial and business enterprises were excluded from the study, due to the cost of reaching the vast number of these clients.

According to the Banking Code of Practice all personal information pertaining to clients, (in other words names, addresses and such) may not be disclosed (Confidentiality, [n.d]: online). As such respondent information needs to be obtained from a freely available source. Per the Financial Information Control Act (FICA) all bank users are required to supply proof of a physical address (usually a municipal account) in order to be able to use the services of a commercial bank. Therefore selection of respondents was accomplished by contacting the deeds offices of the main metropolitan/capital cities in each of the provinces and viewing title deeds, which are publicly available for inspection, to obtain erf numbers. These were translated into physical address via valuation rolls.

As the population of South Africa is widely spread over the country, only respondents within the main metroplitian/capital cities were selected. The reasons for this selection will be discussed in further detail in section 1.6.4 (page 22). Only respondents inhabiting fixed form dwellings were surveyed. In other words, only the socio-economic groups starting from the High section of the Low Income Group.

Data was gathered by means of a questionnaire that was posted to clients. Selection of erf numbers therefore provided a representative sample as they encompassed all areas of the city, whether affluent or rural. Questionnaires were sent to the residential addresses. As the purpose of the study was to determine the satisfaction of banking clients, respondents indicating that they do not use banking industry services were discarded and not included in the study. A large sample size was selected to make provision for this occurrence.

A sample of 2 000 systematically random chosen bank clients was utilised from the capital cities of all nine provinces in South Africa. The study was truncated to exclude the erf numbers for all open areas, industrial, commercial and school

areas. Only residential erf numbers were selected. No businesses or businesses were included within the study.

The sample was a proportionate systematic sample. The number of respondents selected from each province were proportionate to the relative size of the province's population to that of the population of South Africa. In addition, within each province only one city (the main metroplottian/capital city) was selected. Within this city respondents were selected according to the suburbs in which they resided. The number of respondents selected per suburb were dependant on the number of residential erven registered in that suburb. To illustrate in Bloemfontein there were more residential erf numbers registered in the Manguang suburb than in the Kiepersol suburb. Therefore more respondents were selected from Manguang than from Kiepersol. In this manner a more representative sample was obtained.

Erf numbers were selected by systematic random sampling. A skip interval was utilised to select erf numbers from each individual suburb.

According to Census information (2001) the population of South Africa is divided as follows (SA's population by province, [n.d]: online)

Table 1.1: Sample size and distribution

Province	Percentage of the population (%)	Sample size per province	City selected
Kwa-Zulu Natal	20.6	412	Durban
Guateng	19.2	384	Johannesburg
Eastern Cape	15.0	300	Port Elizabeth
Limpopo	12.0	240	Polokwane
Western Cape	9.9	198	Cape Town
Northwest	8.2	164	Potchestroom
Mpumulanga	6.9	138	Nelspruit
Free State	6.3	126	Bloemfontein
Northern Cape	1.9	38	Kimberly
TOTAL	100	2000	

Respondents were given a month to respond to the mailed questionnaire, after which a reminder questionnaire was sent to the respondent. Questionnaires with accompanying self-addressed envelopes were sent. To maximize the response rate telephone interviews were utilised. They were conducted through Computer Assisted Telephone Interviews (CATI). The same questionnaire was used for both the mail and telephone survey. Telephone interviews were conducted once the mailed questionnaires have been received from respondents. A separate sample of respondents was selected for the telephone interviews so as to not duplicate those who have completed the postal questionnaire (Cant, Gerber-Nel, Nel and Kotze, 2003: 84 and 85).

Data provided in the questionnaires were analysed with the aid of a computer programme. The Statistical Programme for Social Studies (SPSS) was the preferred programme. This programme helped identify problem areas as perceived by clients.

1.6.1.2 Secondary data collection

It is estimated that 11,3 million South Africans utilise the commercial banking system of South Africa. As mentioned on page 1 the South African Satisfaction Index (SAS index) is conducted to determine client satisfaction with the commercial banking industry. The SAS Index has been conducted annually for four years. It provided a valuable basis on which to base the study (Pettijohn, 2004: 18).

Databases such as Dialog, Navtec and UCTD were consulted to obtain any other research conducted on the same topic as well as related topics.

Textbooks were consulted in order to gather theoretical information on service marketing, relationship marketing and the banking industry. Articles in financial magazines and marketing magazines were utilised due to their specialisation.

Internet based sources as well as search engines such as Proquest and Ebscohost were sources of secondary data. Financial and national newspapers were also utilised in order to obtain relevant current information relating to the banking industry. Selected newspapers utilised were both local as well as national publications.

1.6.2 Limitations

The substantial number of people in South Africa using the services of the commercial banking industry was a limitation in the study. It is estimated that 11.3 million people utilised at least one form of service from a commercial bank.

A second limitation exists in that there is no comprehensive and neutral database of all South Africans who utilised the services of the banking industry. Therefore respondents were selected randomly from the erf numbers on title deeds.

A third limitation concerned the fact that only erf numbers were utilised, therefore those that do not reside in a fixed form dwelling were not considered for inclusion in the study, as there is no alternative means of reaching these respondents.

A fourth limitation is that only those currently utilising the services of the commercial banks were included in the study, as they are able to evaluate the current level of service being delivered.

1.6.3 Data processing

The data collected from the questionnaires were processed by means of the SPSS computer programme (see page 19). Frequency tables, bar charts and pie charts were utilised to indicate how respondents answered particular questions.

As this study was meant to prove or disprove the poor perceptions and service delivery of the commercial banking industry, a Chi-square test, T-value Test, use of Probability values and Z-values were selected as appropriate methods of data processing. Measures of dispersion (mean, standard deviation, variance and average deviation) were also utilised in the processing of the data (Gates and McDaniel, 2004: 202).

1.6.4 Sample method and size

As briefly discussed in section 1.6.1.2 (page 20) approximately 11,3 million people utilise the services of commercial banks in South Africa. In relation to the banking industry the four main banks were surveyed. These four banks are the main holding companies of numerous smaller commercial banks.

A sample of 2 000 respondents of the target population were selected. This sample was selected due to financial and time constraints. Financial aspects include the printing of the questionnaire and postage. Time was a consideration in terms of the time period allocated for responses to be received, and the analysis of the data. The size of the population prevents the utilisation of a census, as does the extreme geographic divergence of the population.

A sample of 2000 systematically random chosen respondents was utilised from the capital cities of the nine provinces in South Africa. The numbers of respondents per province selected were dependent upon the population size per province. To obtain an accurate representation of South Africa the main metropolitan/capital cities of each province were utilised. Furthermore, Deeds Offices are usually situated in metropolitan areas and not extensively in rural areas. Therefore, Title Deeds of rural or less developed areas were sent to be registered in the nearest Deed Office. For this purpose it was necessary to use metropolitan areas and not rural areas (SA's population by province, [n.d]; online).

The following is an illustration as to how the sample was selected. The sample was selected by utilising a systematic sampling method. To determine the skip interval the population size per province was divided by the selected sample size per province. To illustrate in the case of the Northern cape the population size was 1.9 million and the sample size to be selected from that province was 38. A skip interval of 50 000 was the resultant figure (1.9 million divided by 38). Accordingly every 50 000th erf number was selected. However this figure was further divided according to the number of residential erf numbers per suburb. The higher the number of erven in the suburb, the higher the number of respondents selected therefrom. The exact number of residential erven per suburb was obtained by contacting the Deeds Office situated within each city.

In order to determine the starting point an arbitrary point was selected on a table of random digits. Accordingly, the erf numbers in each suburb, which corresponds the most with the arbitrary point, was selected as the starting point. The valuation rolls of the various cities provided the addresses of the selected erf numbers, to which the questionnaires were sent. Addresses derived from the valuation roll were utilised to determine the relevant telephone numbers of respondents for the telephone interviews to be conducted.

As respondents were randomly chosen, a screening question was used to determine if they utilised the services of the banking industry. The questionnaire clearly indicated that if a specific service was utilised only specific sections pertaining to that service should be answered. In this manner respondents only answered questions pertaining to the service/services that they utilised.

Questions pertaining to income, age and gender were included within the questionnaire. These were used for analysis purposes. These questions helped classify respondents and were monitored in order to ensure a representative sample. As it is a systematic random sample a wide array of population groups are included within the sample.

1.6.5 Pilot study

The pilot study was conducted on 100 respondents within South Africa. These respondents were included within the final study and were utilised as a measure of testing reliability and validity.

1.6.6 Respondents

There were two main groups of respondents, namely the commercial banks and clients. Client respondents consist of South Africans who are currently utilising any of the services offered by commercial banks within South Africa.

1.7 CHAPTER CONTENT

CHAPTER ONE consists of a description of the background to the study.

CHAPTER TWO concerns the discussion of services marketing in order to be able to distinguish between the marketing of services and goods. Client satisfaction in connection with client expectations and perceptions was discussed.

CHAPTER THREE analyses relationship marketing, as well as its effect and implementation with the commercial banking industry.

CHAPTER FOUR explores client behaviour and how it affects the service delivery and perception of clients.

CHAPTER FIVE examines the services offered by the commercial banking industry. These services are categorised into four separate categories in order to distinguish between the different broad services offered. The regulations and

legal aspects governing the South African commercial banking industry were also referenced in this chapter.

CHAPTER SIX concerns the discussion of international banking the potential influences it may have had upon the development of the South African commercial banking industry.

CHAPTER SEVEN described the research methodology to be employed in the study. It will include aspects such as data collection methods and the procedures utilised to interpret the data.

CHAPTER EIGHT concerned the empirical study and the results derived from the study.

CHAPTER NINE described the results of the empirical study as well as the recommendations derived from it.

CHAPTER 2

SERVICES MARKETING

2.1 INTRODUCTION

The unique nature of services as well as the marketing of services will be examined within this chapter. To understand the service marketing concept it is necessary for both marketing and a service to be defined independently. Hereby a definition of service marketing in itself will be derived.

In order to understand service marketing it is necessary to understand the concepts of marketing and services. According to Boone and Kurtz (2004: 7) marketing is often defined as the process of identifying and satisfying the needs and wants of clients, by providing a market offering to fulfill those needs and wants, through an exchange process profitably.

A service may be defined as an act or performance that is offered by one party to another. The act or performance may be tied to a physical product, however the process is intangible. According to Tarn (2005: 749) as a result of this intangibility, there is normally no ownership of the factors of production. It is the researcher's opinion that service marketing may be defined as the bringing about a desired change in - or on behalf of - the recipient of the service, services create value and provide benefits to clients at specific times and places.

The definition of services marketing requires that two additional elements be considered. Firstly, clients do not always know what they want and secondly, all clients are not the same. Therefore client service delivery should be flexible. Consequently it is imperative that a client's individual needs are identified and met by the service provider (Tarn, 2005: 752).

Faulkner (2003: 17) is of the opinion that services' marketing entails satisfying client needs and wants through the service offered by a specific service provider. The commercial banking industry represents a well-known method of services marketing. The financial services industry actively provides financial assistance to the public rather than physically selling a product. Superior levels of quality service results in loyalty from clients, thereby increasing the number of retained clients.

2.2 NATURE OF SERVICES MARKETING

Special characteristics form the starting point for the examination of services marketing. The discussion of the special characteristics of services is followed by a discussion of the services marketing mix to further highlight the nature of this type of marketing.

2.2.1 Characteristics of services marketing

The characteristics of service marketing are the first description of the nature of service marketing. It is important to note that these characteristics are generalisations and do not apply equally to all services.

2.2.1.1 *Clients do not obtain ownership*

Clients usually derive value from services without obtaining permanent ownership of any tangible elements associated with service delivery. Service marketers may offer clients the service of hiring a physical object like a motor vehicle in exchange for a sum of money, however the client does not become the owner of the motor vehicle. Harrell (2002: 337) indicates that there are exceptions - clients do obtain ownership of any spare parts that are installed during a repair and maintenance service. Due to the fact that clients do not

obtain ownership of the service, timing often becomes an important denominator. It is especially true when determining the relevant cost, which requires time-based calculations (Raine, 2006: 13).

2.2.1.2 Intangibility

The service performance tends to be intangible. Benefits are derived from the nature of the performance. Therefore, although tangible elements are involved, services cannot be touched, tasted or seen. In Cant and van Heerden's (2004: 220) opinion the actual service is only an experience to the client. As a result of the intangibility of services clients find it difficult to evaluate and measure services in terms of value and quality. Clients tend to look for evidence of quality in other attributes, such as the décor of the service provider's office.

2.2.1.3 Inseparability

Services are produced and consumed simultaneously. As a result it is difficult to separate the service from the service provider. The main outcome of inseparability is that service providers are an important part of the service itself, as they are an essential ingredient in the service experience of the client. Clients may also be involved in creating the service themselves, as in the case of Automatic Teller Machines (ATM's), or through interacting with the service personnel. According to Bly (2003: 221) clients often come into contact with other clients utilising the same service. The type of clients patronising a particular service business helps define the nature of the service experience, and in this way form part of the service. Service businesses gain a great deal by educating clients and making them more competent in the roles they fulfill during the service process (Bly, 2003: 221).

2.2.1.4 Heterogeneity / variability

As mentioned previously, services are produced and consumed simultaneously. In addition, individual people form part of the service. These factors result in it being impossible for a specific service to be repeated in exactly the same way as previously. This degree of uniqueness may cause concern to be raised with regard to the quality of the service delivered as well as uniformity issues. As no two clients are precisely the same each will have unique demands. The result is a need for variability within the service offering. Lamb, Hair and McDaniel (2004: 346) believe that clients are also likely to experience the service in unique ways. It is apparent that heterogeneity is the result of human interaction between employees and clients. Furthermore, heterogeneity is caused and increased by variability in operational inputs.

2.2.1.5 Perishability

Services are perishable and cannot be stored. Typically, there is an absence of inventory. Financial institutions are able to keep a physical inventory (for example ATM cards) of certain of the services that they offer, therefore the degree of perishability of their services is reduced. As a result delivery systems may involve both electronic and physical channels in order to expedite service delivery (Rajaram and Karmarkar, 2004: 254).

2.2.2 Service marketing mix

The services marketing mix is the second description of the nature of service marketing. The special characteristics that distinguish services marketing from the marketing of physical goods result in specific marketing implications. The researcher believes that the most notable is the fact that the traditional marketing mix is expanded from four elements. According to Morrison (2006: 25) the marketing mix therefore consists of the seven variables; product, price, place,

promotion, physical evidence, people and process, with the last three representing the additional elements. The variables of the services marketing mix are discussed in the following paragraphs.

2.2.2.1 Product

The first element of the service marketing mix is the product. Product is defined as the core output, which may be either a service or a product, supplied by a business. For this reason, while services are intangible, the service offering is also referred to as product. Services may have tangible features, such as food in a restaurant, that is an integral part of the service. Pure services involve no tangible aspects. Lamb, Hair and McDaniel (2004: 349) indicate that due to the intangibility of services, clients seek benefits to which to attribute value and perceptions of quality. Therefore, all the components of the service are selected with reference to the benefits desired by clients, thereby creating value for clients. With reference to the commercial banking industry, a profile of the buyer's needs is created in order to determine the appropriate financial services that would best suit the current situation.

Service offerings are comprised of all aspects, both tangible and intangible, that are designed to satisfy specific needs. In service, productivity refers to how efficiently service inputs are transformed into outputs, which add value for clients. In the opinion of Ellis (2007: 28) the special characteristics of services make it difficult for clients to easily determine quality. Quality in service marketing refers to the degree to which a service satisfies clients by meeting their needs, wants and expectations.

2.2.2.2 Price

Price is the second element of the services marketing mix. It concerns the various costs, which are incurred by clients in obtaining the benefits from the

service. Price does not refer solely to the selling price. Boone and Kurtz (2004: 379) indicate that price may also include expenditure in terms of money, time, mental and physical efforts as well as negative sensory experiences (noises and smell) incurred in the purchasing and consumption of a service. The selling price may be determined in accordance with the amount of time spent with the service provider (Boone and Kurtz, 2004: 379).

2.2.2.3 *Place*

Cant and van Heerden (2004: 219) indicate the third element of the marketing mix as place. Decisions need to be made as to when, how and where the services are to be delivered to clients. Businesses may deliver services through physical or electronic channels. Service providers may even elect to deliver through both channels, depending upon the nature of the service. It is also possible for service companies to utilise intermediary businesses. These intermediary businesses receive a fee or percentage of the selling price for performing certain tasks associated with either the service or client contact.

2.2.2.4 *Promotion*

Promotion, as the fourth element of the service marketing mix, involves all communication activities and incentives that are specifically designed to build client preference for a specific service or service provider. Service businesses also aim to educate clients through promotion, especially new clients. Communication plays three vital roles. It will provide information as to the benefits of the service. It will indicate where and when to obtain it, as well as how to participate in the service process. According to Jain (2004: 510) promotion will also persuade target clients to use the services of a specific service provider, inform them of the merits of a specific service, as well as encouraging clients to take action at specific times. Service providers may communicate with clients via salespeople, and media such as television and

radio. The manner in which these communication methods are combined will depend upon the type of service involved (Jain, 2004: 510).

2.2.2.5 Physical evidence

The fifth element of the service marketing mix is physical evidence. Physical evidence refers to the environment in which the service is delivered and where the service provider and the client interact, as well as any tangible components that facilitate the performance or communication of the service. It is clear that the appearance of buildings, interior furnishings, staff and printed materials, as well as any other visible cues provide tangible evidence of a business's service quality. According to Lamb, Hair and McDaniel (2004: 351), businesses should manage physical evidence carefully as it may have a profound impact on a client's impressions, especially with services that have few tangible elements. Clients rely on tangible cues in order to be able to judge the actual quality of the service. Location and décor will influence a client's perceptions of quality, and it should match his/her expectations (Graham, 2007: 17).

2.2.2.6 Process

Process is the sixth element of the service marketing mix. It is the actual procedures, mechanisms and flow of activities by which the service is delivered - the service delivery and operating systems. It refers to the particular method of operations or series of actions, involving the steps that are needed to occur in a specific defined sequence. Bly (2003: 224) advocates that processes can either follow a standardised or customised approach. Customised services are tailored to meet each client's specific needs and preferences. Standardisation reduces variation in service operation and delivery.

Processes that are highly bureaucratic, slow, and ineffective, will create negative perceptions with regard to service quality. Poor service processes may also inhibit staff from delivering high productivity levels (Hamlin, 2003: 333).

2.2.2.7 People

Lamb, Hair and McDaniel (2004: 11 to 12) identify the seventh element of the service marketing mix as people. People as a variable of the services marketing mix refers to all the people involved in service delivery that may influence the buyer's perceptions. These people may include the business's personnel, the clients themselves, as well as other clients present in the service environment. Many types of services depend upon the direct, personal interaction that occurs between the service provider's employees and their clients. These interactions will strongly influence the client's perceptions of the quality of the service. The researcher is of the opinion that clients often judge the quality of the service on the basis of their assessment of the people who provide the service. Duray (2004: 414) believes that recruitment; training and motivation of staff are therefore critical. Often the service provider or contact person is regarded as the service. In certain services the clients themselves will influence service delivery, thereby affecting service quality as well as their own satisfaction. Clients may also influence other clients' service outcomes by either enhancing or detracting from the other client's experiences. Therefore businesses may seek to manage client behaviour.

2.2.3 Classification of services

Over time services, as well as the service sector of the economy, have been defined in subtly different ways. This has created a broad definition that encompasses many different industries that offer a variety of services. To provide a more differentiated view, services are classified according to certain acceptable methods (Duray, 2004: 421).

2.2.3.1 Methods used to classify services

The classification of services is the third description of the nature of services marketing. Research has indicated that there is a general consensus among academics as to the classification of services. The following is a brief discussion of those techniques utilised as classification methods.

The end user of the service may be utilised. The client may be the direct recipient of the service, such as in the hairdressing industry. The end user may be another business. In this case the service provider provides his/her service to another industry, as is the case in the advertising industry (Lamb, Hair and McDaniel, 2004: 668).

According to Cheales (2000: 2; Buck, 2007: 4) the degree of tangibility may also be utilised to classify services. Certain services may have a high degree of tangibility. This is represented by the car rental industry. The service may be linked to a tangible item. This is usually concerned with the service and repair of the tangible item. Pure services are those that do not have a high degree of tangibility associated with the service. This is most commonly associated with legal services.

The time and place of the service delivery may also classify the service. Certain services may only be provided at the service provider's offices. Other services may be delivered directly to clients. Delivery itself may occur through physical or electronic channels. Some services may accommodate physical delivery, such as the postal industry, while others may be sold via the Internet (Cant and van Heerden, 2004: 214).

Services may be customised or standardised. Miller and Layton (2001: 17) are of the opinion that customisation allows service features to be adapted to meet the individual requirements of clients. Argyrio, Kitchen and Melewar (2006: 580)

believe that standardisation occurs when all clients receive the same service, like a fixed bus route. It is possible to provide a combination of standardisation and customisation in relation to services.

According to the researcher, services may be classified on the basis of the degree of relationships that are formed between the service provider and the client. A service provider may be able to develop a system where the business knows each client, and all transactions are individually recorded and attributed. Other services may involve unidentified clients using the service once with no likelihood of regular repeat uses.

The nature of the service will determine whether the service lends itself to the development of these relationships. Whether the service is labour intensive or equipment-based, service may affect relationship development. According to Harrel (2002: 337 and 338; Jordan, 2007: 4) services referred to as people based services are high contact services that can not be performed without staff to perform the service; education is a practical example. Low contact or equipment-based services may be performed without the presence of staff members; this is illustrated by a car wash. It is also possible to use these as classification criteria.

The expertise and skills required to perform the service may also be utilised as classification tools. A high degree of expertise and skills may be necessary, within certain services, in order to establish credibility. According to Bly (2003: 7) this occurs mainly with professional services, such as medical services. Non-professional services such as casual labour will require a lesser degree of skills and expertise. Service providers may also operate solely for the purpose of profit, while others may provide services free of charge. The banking industry and charities are examples of these respectively.

2.2.4 Type of interaction

Type of interaction is the fourth description of the nature of services marketing. The different types of interaction play a pivotal role in services marketing. It is necessary to be able to distinguish the different types of interaction from each other. It is a period of time during which clients interact with the service operation. This interaction may affect clients' perceptions of quality. The type of interaction is also known as the service encounter.

The first type of interaction occurs between the service provider (front-line staff) and the client. This high contact service occurs where the client visits the service facility in person. The client will formally receive the service offering from the service provider. Clients will often rate the service suppliers performance based on their dealing with the staff they had contact with (O'Toole and Donaldson, 2002: 147). A professional approach by these staff members will retain profitable clients by offering superior client service. Direct interaction requires the client's direct participation. It also allows for the client to provide all-important feedback to the business (Gallagher, 2007: 7).

Cant and van Heerden (2004: 224) indicate that the second possible interaction occurs between the client and the service provider's agents or representatives. It is possible in services marketing for an agent to deliver the service to the client. As a result it makes it difficult for the service provider to control the quality of service delivery by the agent. This is a medium contact encounter and requires less direct involvement with the service provider. In order to ensure client satisfaction and a favourable perception of the quality of service, providers will need to select a reputable agent.

The third form of interaction is client-to-client interaction. Interaction between clients result in the clients themselves making up part of the service. The clients therefore partly produce the service. An example would be a restaurant where

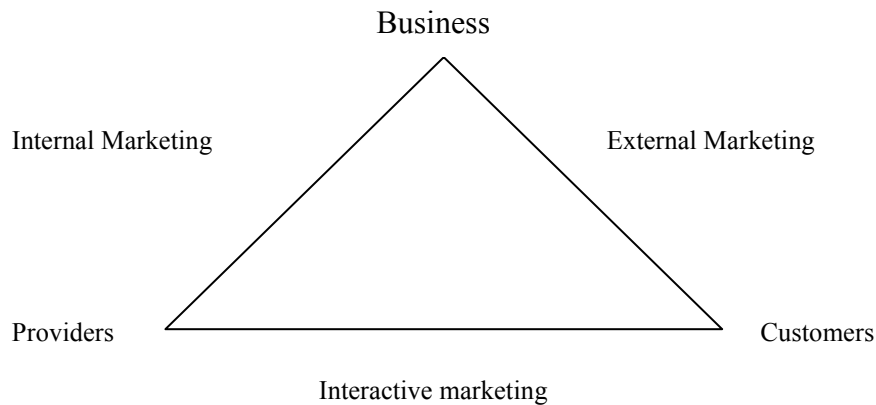
the clients themselves determine the atmosphere and ambience. Cobe (2007: 17) believes that the service provider may ensure that the décor of the restaurant is inviting, but the actual service quality relies upon the participation and interaction of the clients. Unfortunately a limited group of clients may ruin the quality of service for the other clients.

The fourth type of interaction occurs when clients interact with the service facilities or automated systems offered by the service provider. This low-contact service encounter requires no contact to occur between the client and the service provider. Instead contact is made via an electronic medium. Greer (2007: 48) states that clients thereby create their own service. This type of interaction is as important as the previous types of interaction and may include examples such as ATM's (Chu, 2007: 1).

According to Kassim and Souiden (2007: 220) it is important that the system is easy to operate and that the environment provided is safe and serviceable. Systems should operate efficiently and effectively and should meet the needs of clients. The interaction with the service providers systems such as Automatic Teller Machines, as used by banks, will often determine how clients perceive the quality of service delivery.

2.2.5 Service marketing triangle

The service marketing triangle indicates the interaction between customers and companies and is used to further enhance the description of the nature of services marketing. A comprehensive diagram of the services marketing mix is illustrated in Figure 2.1. As may be seen in the figure customers and providers are influenced through both internal and external marketing.

Figure 2.1: Service marketing triangle

Source: Adapted from Zeithaml and Bitner, 2000: 16

The service marketing triangle indicates three inter-linked groups that develop, promote and deliver services through working together. Each point on the triangle represents a specific group. According to Cant and van Heerden (2004: 227) at the top of the triangle is the business, to the left is the provider and to the right is the customer. Between the three points of the triangle exist three types of marketing strategies that need to be successfully carried out for the service to be effective. For service marketing, external, internal and interactive marketing is essential in order to build a relationship with the customer (Cant and van Heerden, 2004: 227). These forms of marketing will be discussed as follows:

2.2.5.1 External marketing

It is apparent from Figure 2.1 that in order to form the relationships between the three piers of the triangle, marketing is utilised. The first form of marketing is external. Boone and Kurtz (2004: 11) are of the opinion that external marketing refers to the making of promises to customers in relation to what can be expected. In addition to the traditional marketing mix, employees, design of facility and the service process will be utilised to help set expectations. Consistent and realistic promises are necessary to help create a stable relationship.

2.2.5.2 *Interactive marketing*

Interactive marketing is identified in Figure 2.1 as the second form of marketing utilised to form the necessary relationships. Interactive marketing involves the keeping of promises made through external marketing. From a client's point of view, this is the most important type of marketing. Interactive marketing occurs when the client interacts with the business through the producing and consumption of a service. It is important to note that interactive marketing is not a single experience, but rather occurs every time a customer interacts with the business (Boone and Kurtz, 2004: 22).

2.2.5.3 *Internal marketing*

According to Graham (2007: 17) the third form of marketing refers to the enabling of promises. Internal marketing refers to the providers of the service (staff). Promises may be made, however without motivated, trained and rewarded providers it is unlikely that they will be kept. Therefore, in order to keep promises it is necessary for internal marketing to create employee satisfaction in order to maintain client satisfaction.

It is essential that all forms of marketing and parties involved interact in order to achieve the goal of good quality service. The absence of one aspect will detrimentally effect the service delivery (Muchnik, Slanina and Solomon, 2003: 232).

2.2.6 **Life cycle concept**

The life cycle concept is another way of describing the nature of service marketing. Services have what is referred to as a life cycle, the stages of which the move through. The cycle is divided into four stages namely: introduction,

growth, maturity and decline. Each section will be discussed in relation to services in the subsequent paragraphs.

2.2.6.1 Introduction stage

The introduction stage of the life cycle refers to when the service is newly introduced to the market. In this stage of the cycle a larger amount of money is spent on promotion. In the opinion of Boone and Kurtz (2004: 334) promotion is utilised in order to create interest in the service. This is a high-risk stage, as the services have not yet been proven to satisfy clients needs and clients as yet, have no expectations in relation to the service.

2.2.6.2 Growth stage

As clients become more familiar with the service, revenues and profitability increase. Parallel to this increase, is the entrance of competitors into the market. Promotion will therefore need to be increased in order to maintain growth within the industry. Repeat purchasers / users of the service will need to be targeted in specific to achieve this goal (Lueg and Finney, 2007: 29).

2.2.6.3 Maturity stage

After a certain period sales reach a relatively steady plateau and competition becomes established. Promotion efforts will be concentrated upon keeping the level of sales high and the creation of leading brands. It is the opinion of the researcher that the commercial banking industry in South Africa is currently in this stage of the life cycle (Lamb, Hair and McDaniel, 2004: 332 to 333)

2.2.6.4 *Decline stage*

In the decline stage, the popularity of the service declines resulting in lower sales and profitability. According to Tom, Nelson, Srzentic and King (2007: 122) during this stage it will need to be decided whether to continue producing the product, withdraw it from the market or perhaps sell it to a competitor or interested party.

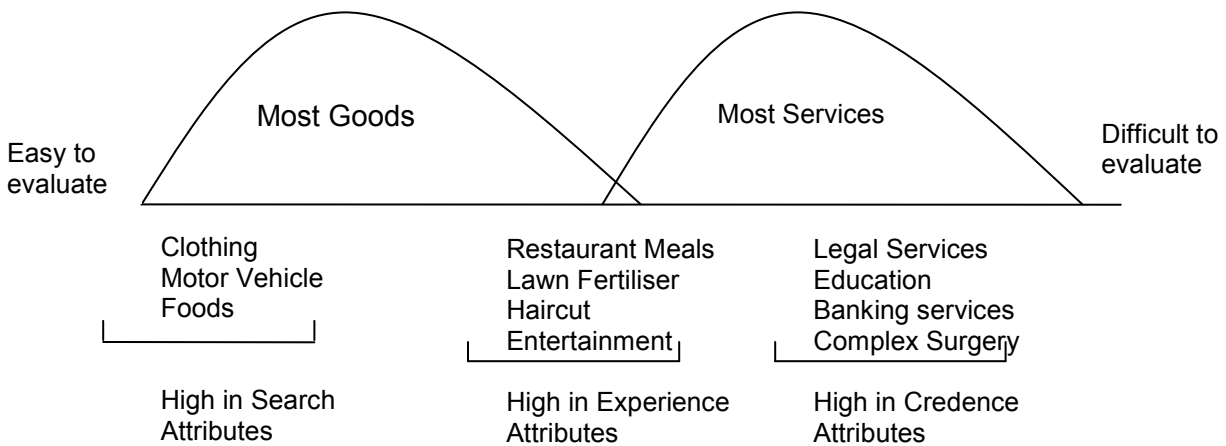
2.3 QUALITY OF SERVICE AND CLIENT SATISFACTION

Clients' expectations and perceptions determine the quality of the service that they experience. These will ultimately determine satisfaction, as well as whether the service experienced was of a high or low quality. Feelings about satisfaction with regard to services are highly dependent on clients' prior expectations. It is therefore imperative that the service provider determines what clients want, and how best to satisfy those wants (Weallens, 2003: 5 and 6).

Communication concerning the level of service delivery guaranteed by a business may influence client expectations. This influence may minimise the difference between what clients expect and what they actually receive. Mackenzie (2007: 43) believes that the quality of service delivered must be as close as possible to what the client expected. In order to determine the quality of service from a client's perspective it is necessary to understand the gap that occurs between the client's expectations and perceptions.

2.3.1 Client evaluation of service quality

Evaluation of service quality is difficult. Primarily services are evaluated on the basis of a continuum of product attributes. The following figure provides a graphical illustration of the product attributes continuum.

Figure 2.2 Continuum of product attributes

Source: Adapted from Lovelock (2001: 118).

This figure arranges services and goods high in search, experience and credence qualities along a continuum of evaluation, ranging from easy to evaluate to difficult to evaluate. As illustrated in Figure 2.2 goods that are high in search qualities are situated to the left of the continuum. Services high in experience and credence qualities are situated from the center of the continuum to the right of the continuum (Cant and van Heerden, 2004: 214).

A more in-depth discussion of the three types of qualities is now appropriate.

2.3.1.1 Search qualities

Search qualities or attributes are mostly utilised in connection with physical goods. These attributes facilitate the evaluation of products relative to one another. Features such as style, texture, and taste, allow clients to test the product prior to purchase. In the opinion of Harrell (2002: 342) these tangible attributes help clients evaluate and understand what exactly they will receive in exchange for payment, thereby reducing risk and uncertainty associated with the product. Therefore products are compared and studied before a selection is made. These products include clothing and furniture (Vigneron and Johnson,

2004: 8). The special characteristics of services prevent the comparison of services relative to one another. Services are low in search qualities. Services lack the tangible aspects necessary for the comparative purposes of this continuum (Harrell, 2002: 342).

2.3.1.2 Experience qualities

Experience qualities are properties that cannot be evaluated prior to purchase. The amount of pleasure or satisfaction cannot be assessed until it has been used. In the opinion of the researcher, only once the service has been consumed can the client decide whether it met, did not meet, or exceeded, their expectations. According to Brenner (2007: 8 to 10) improvements may also be suggested that would lead to an improved service quality. Although brochures may be examined there is no actual experience with the service. Thus the service cannot be evaluated. Furthermore it is not always possible to rely on information derived from friends when evaluating these services, as different people interpret or respond to similar stimuli differently.

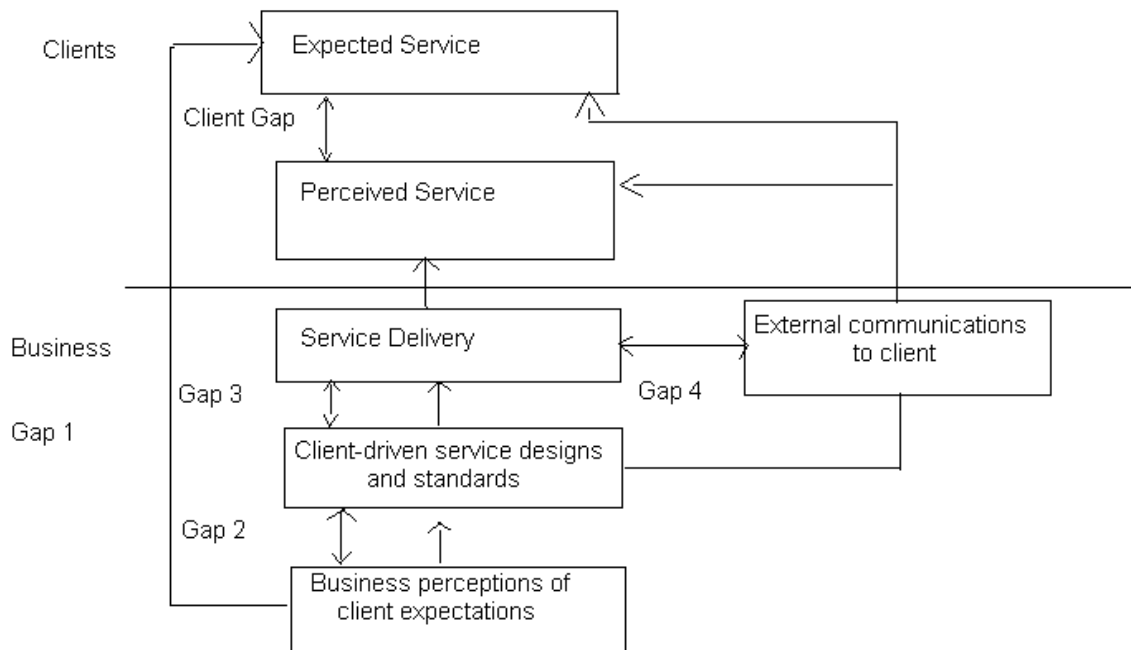
2.3.1.3 Credence qualities

Credence qualities are primarily applicable to services. These are characteristics that the client may find impossible to evaluate before, during, or even after, consumption. The client is forced to trust that benefits have been delivered, even though it may be difficult to document these benefits. The more intangible the service the higher the credence qualities involved. Services high in credence qualities are the most difficult to evaluate as clients may lack sufficient knowledge to determine whether the service satisfies their needs and wants, even after consumption. To illustrate, a medical diagnosis is almost impossible for clients to assess, due to a lack of sufficient knowledge (Bly, 2003: 221).

2.3.2 Gaps Model

The Gaps Model as described by Zeithaml and Bitner (2000: 26) serves to explain how the quality of a service is hampered when a gap exists. The following discussion and figure illustrate the gaps that occur between the client's expectations and perceptions. It also describes potential causes of the gap, which eventually have a negative impact on the quality of the service (Pillay and Naude, 2006: 880).

Figure 2.3: Gaps Model



Source: Adapted from Zeithaml and Bitner (2000: 26).

The main focus of the Gaps model is the customer/client gap, which is the difference between client expectations and perceptions. Expectations are the reference points clients have regarding a specific service experience. Perceptions reflect the service as actually received. Witt (2007: 30) believes that the best way to close this gap is to correct the provider gaps. Correction of

the provider gaps will in turn lead to client satisfaction and the establishment of long-term relationships with clients (Lamb, Hair and McDaniel, 2004: 346).

A discussion of the various provider gaps, the causes thereof and potential remedies will clarify the gaps-model further.

2.3.2.1 Gap 1: Knowledge gap

Lack of knowledge about client expectations refers to the difference between the client's expectations of services and the business's understanding of those expectations. The knowledge gap is the root cause of the non-deliverance of service expectations. There are many reasons for the occurrence of this gap. Inadequate market research may prevent the thorough understanding of client expectations. According to Brenner (2007: 9) the lack of communication and interaction between clients, managers, employees and other stakeholders may also contribute towards this gap. It is the opinion of the researcher that non-segmentation of the market, as well as the failure to establish relationships with clients will further aggravate the lack of knowledge concerning client expectations.

To improve the quality of service the business will need to acquire accurate information pertaining to client expectations. Formal or informal research may be conducted to acquire this information. The business will become aware of the client's expectations and, as a result it will increase the business's understanding thereof. Gitomer (2007: 9) is of the opinion that clients are no longer satisfied with homogeneous service offerings. A degree of customisation is preferred. Segmentation will group clients with similar requirements together. Segments of clients should then be targeted with services and strategies that satisfy that specific segment's needs better than competitive offerings.

Miller and Layton (2001: 15) believe that relationship marketing will establish long-term partnerships with clients. Technology allows vast quantities of data on clients to be developed. Both will allow the business to be aware of change needs and expectations of clients (Thakor, 2005: 1068).

2.3.2.2 Gap 2: Incorrect selection of service designs and standards

Incorrect selection of service designs and standards refers to the difference between management's perceptions of client expectations and the translation of those perceptions into service quality specifications. According to Smith (2003: 1320) a pre-requisite for the presence of service designs as well as performance standards that reflect accurate perceptions is client-driven standards which are based on pivotal client requirements that are able to be measured (O'Toole and Donaldson, 2002: 150).

Service designs and standards that are incorrectly selected are usually the result of a variety of reasons. Service providers may feel that a client's expectations are unreasonable. It may be believed that the setting of standards cannot be achieved due to the degree of variability inherent in services. According to Wealleans (2003: 5) the main cause of incorrect selection is the absence of client-driven standards due to a lack of management commitment that may prevent the development of appropriate service designs and standards. In order to close this gap, service standards should exist. It is imperative that these standards accurately represent the client's expectations.

Strategic measurement systems will also assist in closing the gap. Measurement systems are important barometers of client satisfaction. To ensure that the problem of incorrect selection in respect of service designs and standards is overcome, detailed knowledge of the client's desires is required. A response to that desire is then built into the service operating system (Lamb, Hair and McDaniel, 2004: 347).

2.3.2.3 *Gap 3: Non-deliverance of service standards*

Non-deliverance of service standards is the discrepancy between the development of client-driven service standards and the actual service performed by business employees. Although guidelines for service performance exist, it provides no guarantee that high-quality service is performed. The standards set by the business must be supported. According to Lloréns, del mar Feuntes and Fernandez (2003: 305) the business must facilitate encourage and require the achievement of standards. It can be achieved by providing resources such as people, systems and technology. Ensuring that the appropriate resources are available timeously will help to close this gap.

In the opinion of the researcher, inadequacies within the business's human resource policies may cause the occurrence of non-deliverance of service standards. Ineffective recruitment, inappropriate evaluation and compensation systems are examples of such deficiencies and inadequacies. Clients themselves may be another contributing factor. If clients do not fulfil their roles within the service process properly it may jeopardise the service quality. It may even impact negatively on other clients (Wealleans, 2003: 6 and 7).

According to Quintrall (2007: 9) in order to overcome the problem of inadequate human resource policies, the business should improve internal practices. New practices will be developed and introduced with regard to the training, motivation and feedback of staff. Institution programmes that aim to teach clients how to perform their roles properly may solve the problem created by clients.

2.3.2.4 *Gap 4: Non-performance of promises*

Differences between service delivery and the service provider's external communications are illustrated by the non-performance of promises. It refers to the explicit promises conveyed through media and the sales force of the

business. External communication may raise the clients' expectations and affect their perceptions of service quality. In Tara's opinion (2007: 4) these expectations serve as the standard according to which service quality is assessed. A discrepancy between the actual and promised service will broaden the client/customer gap.

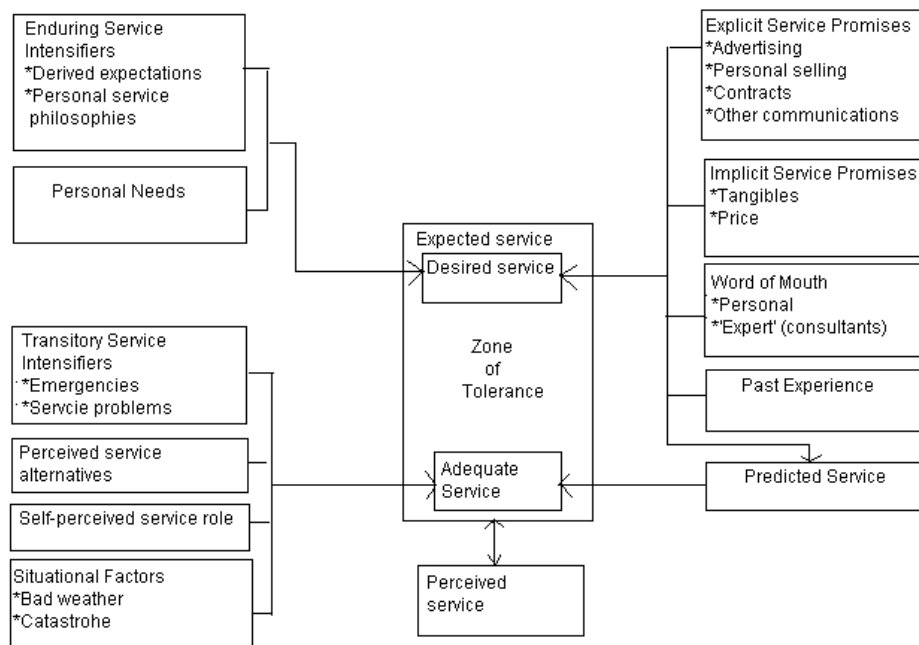
According to Mariotti (2000: 132) the gap may occur as a result of over-promising in advertisements, personal selling, or in physical evidence cues. A breakdown in co-ordination between the employees responsible for delivering the service and those responsible for promoting the service is indicated by non-performance of services. Jones (2006: 73) believes that employees that do not understand the reality of service delivery may make exaggerated promises. Unrealistic expectations caused by misleading communication result in client dissatisfaction with the service received. Lamb, Hair and McDaniel (2004: 348) believe that there may also be a failure to communicate aspects of the service that will benefit clients particularly well. Effective co-ordination of service delivery and external communication is essential. Communication of an external nature may therefore aggravate the customer/client gap by raising client expectations about service quality. It is important that communication is managed to prevent inflated promises.

2.3.3 Standards of service expectations

The service expectation of a client is directly linked to the perceived quality of service delivery experienced by the client. Laschinger (2006: 30) emphasises different levels of client expectations. Firstly, service that exceeds clients' expectations. In this case clients perceived the service to be of a high quality. Secondly, service perceived as reasonable and acceptable - service that is reasonable is considered to be of a satisfactory quality. Thirdly, under-performed service that falls below clients' expectations of acceptable standards and as such the client perceived the service delivery to be of low quality. These levels are

also referred to as desired service, adequate service, predicted service and a zone of tolerance that falls between the desired and adequate service levels. Often expectations and needs are used interchangeably. Expectations are more conscious and specific, while needs tend to be unconscious and general. Dissatisfaction due to a failure to meet expectations and this dissatisfaction in service quality may be corrected. However, failure to satisfy a client's needs may result in the client leaving the business due to negative service quality perceptions. Nutley (2007: 19) believes that exceeding client expectations may result in increased customer loyalty.

Figure 2.4: Client expectations of service



Source: Adapted from Zeithaml and Bitner (2000: 63).

From the figure it is clear that there are different levels of expectations, as well as various factors affecting the respective levels, which is explained in more detail below.

2.3.3.1 *Desired service*

Desired service refers to the desired level of service quality that a client believes can and should be delivered. Desired service is the types of service clients hope to receive. The researcher believes that many clients would like to receive an ideal service, and that clients do not usually have unreasonable expectations. Clients understand that it is impossible for companies to continually deliver the best possible service. According to Chandrashekar, Rotte, Tax and Grewal (2007: 153) personal needs and wants determine these levels. They stem from any of a variety of social, physical and psychological sources. Enduring service intensifiers are factors that allow clients to be sensitive to a specific service. Clients that happen to be service providers themselves tend to be more sensitive to service delivery quality. Further personal service philosophies may influence the desired service level.

2.3.3.2 *Adequate service*

The minimum level of service that a client will accept without experiencing dissatisfaction is referred to as the adequate service level. Anticipated performance of perceived service alternatives, as well as situational factors related to the use of a service on a specific occasion would help set this expectation level. According to Kassim and Souiden (2007: 220) promises made to the client, whether implicit or explicit, may be reflected within the level of adequate service. Expectation levels vary from industry to industry. The level of adequate service is also dependent upon the nature of the service. In addition, individual clients will form their own unique levels of service expectations. Adequate service is therefore a lower expectation, as it concerns the minimum level of performance acceptable to clients. Murtagh, T. (2007: 6) indicates that it reflects the level of service clients believe they will get on the basis of prior experience with the service.

Transitory service intensifiers may influence the adequate service level established. These short-term factors raise the minimum acceptable level of service, as they are associated with crises or emergency situations. Perceived service alternatives may raise or lower the minimum standard. According to Poggione (2007: 5) if there are an abundance of alternative service providers for the same service, clients tend to become more selective. In turn the minimum acceptable level of service is increased. The extent to which clients realise their participation in the service process is referred to as the self-perceived service role, and is a factor affecting the level of adequate service. Situational factors represent circumstances in which clients are aware that there are problems beyond the control of the service provider.

2.3.3.3 Predicted service

Predicted service refers to the level of service clients actually expect to receive from the service provider during the service encounter. It is therefore the level of quality clients believe they will receive from the service provider. According to Smith and Colgate (2007: 14) anticipated service levels directly affect the client's level of adequate service. If a high quality of service delivery is predicted, the adequate service level will be higher than in the case where less than optimal service delivery is predicted.

2.3.3.4 Zone of Tolerance

This is the range within which clients are willing to accept variations in service delivery. The inherent nature of services makes it difficult to deliver a consistent quality level of service. The zone of tolerance is therefore the extent to which clients are willing to accept this variation. Farquhar (2007: 23) indicates that service below the adequate service level will cause dissatisfaction. By contrast a level of quality that exceeds the desired level will cause contentment, loyalty and appreciation. The zone of tolerance is often the range in which little explicit

attention is given to the service performance. Any quality of service falling outside of this range will result in either a positive or negative reaction by clients. Different clients possess different tolerance levels. Often factors such as price may increase or decrease clients' tolerance zones (Shainesh and Sharma, 2003: 25).

2.3.4 Assessment of service quality

Clients perceive quality as a multi-dimensional concept. Assessment of service quality therefore refers to how the clients perceive the service delivery that they receive. Five dimensions are commonly recognised as the means by which clients evaluate service quality. These five dimensions are often referred to as the SERVQUAL model (Chrzan and Golovashkina, 2006: 720).

2.3.4.1 Reliability

Reliability, as a dimension of service quality evaluation, refers to the ability of the service provider to perform the promised service dependably, consistently, as well as accurately. According to Zeithaml and Bitner (2000: 82) the reliability dimension has been consistently proven to be the most important factor when clients assess service quality. Core services not performed reliably cause clients to assume that the business is incompetent. Under these circumstances clients are likely to switch to a competitive service provider, despite other favourable attributes of the service (Robertshaw and Marr, 2006: 85 to 94).

Reliability can prove challenging as clients experience mistakes immediately, due to client participation in the service. Businesses do not have the opportunity to correct mistakes prior to interaction with clients. According to Bly (2003: 232) labour-intensive services experience a large degree of variability in the service production process, because the human factor is involved in the delivery process. Reliability is what is referred to as an outcome measure, as clients

judge reliability only after the service is experienced. In other words the service was either delivered or not. Consequently clients expect delivery on promises made.

2.3.4.2 Responsiveness

Responsiveness as a dimension of service quality evaluation, refers to the willingness of employees to help clients, as well as the provision of prompt service. Attentiveness and promptness in dealing with client requests, complaints and problems are used as measures of assessing quality. Boone and Kurtz (2004: 319) are of the opinion that businesses communicate responsiveness to clients through the length of time clients have to wait for assistance, answers to questions or attention to problems. Businesses must always look for opportunities that allow them to respond to clients faster than expected.

According to Jungki (2005: 10) responsiveness indicates the ability of the business to be flexible. It will illustrate the service provider's ability to customise services according to individual client needs. Businesses that consider responsiveness from the client's perspective excel in this dimension. The rate of responsiveness may ultimately enhance or detract from the relationship that exists between the business and its clients (Hayes and Ziglar, 2001: 301).

2.3.4.3 Assurance

According to Bly (2003: 238) assurance as a dimension of service quality evaluation is concerned primarily with employees. Employees, by means of a thorough knowledge of all aspects of the service, as well as their courteous treatment of all clients, increase the ability of the business to instill trust, confidence and assurance in clients. Clients want the assurance that what is communicated to them in relation to services is true. Clients will regard this

dimension as important with those services they perceive to be high risk. Often trust and confidence are embodied in the person linking the client to the business.

The researcher supports Zeithaml and Bitner's (2000: 84 and 85) statement that detailed explanations of the benefits of services may also assist in instilling more trust. Tangible evidence such as degrees and awards may increase the client's confidence and assurance in the service provider. The elements required to create confidence and assurance in clients will differ from client to client.

2.3.4.4 Empathy

Empathy, as a dimension of service quality evaluation, is often understood to be the caring and individualised attention a business provides to its clients. In essence it is the conveyment, either through personalised or customised service, that the client is unique and special. In the opinion of Martin (2004: 179) all clients wish to be treated individually. Clients like to feel that they are understood and important to the business. Businesses are able to build relationships with clients as a result of the business's personal knowledge of the client's requirements and preferences. The ability to be empathetic may provide the business with a competitive advantage over other competing service businesses.

2.3.4.5 Tangibles

According to Brueur (2006: 64) tangibility refers to the physical representation of the service. This deals with appearance of physical facilities, equipment, personnel as well as communication materials. All of the above-mentioned will provide physical representations and images of the service that clients use to evaluate the quality of the service. It is possible to use tangible aspects of the business, such as documentation and pamphlets to communicate with clients. Harrell (2002: 345) indicates that tangibles may assist in creating credibility in

the benefits offered by the service. Many service providers use tangible items to enhance their image, as well as to signal quality to clients (Patterson, 2003: 14).

2.3.5 Client defined standards for services

Service standards refer to the requirements as defined by client's focus on pivotal client's requirements that are visible and measured by clients. Service standards are aimed at developing minimum requirements according to which service should be delivered. These standards are therefore the minimum level of service delivery expected by clients. The client through interaction with the service provider determines it (Periatt, Chakrabarty and LeMay, 2007: 24).

2.3.5.1 Types of service standards

According to Chakravarti and Xie (2006: 224) service standards determined by clients may be classified into two categories, namely hard and soft standards. Businesses may either formulate hard or soft standards by which to satisfy their clients needs and wants through quality service.

2.3.5.1.1 Hard standards

Hard standards refer to standards that can be counted, timed or observed by clients. Underlying this is the need for the service to be measurable. To illustrate if clients require timely service delivery, late delivery could be measured as poor service delivery (Hackenbrack and Hogan, 2004: 3).

2.3.5.1.2 Soft standards

It is not possible to count, time, observe or measure all client requirements. Soft standards are perceptual measures based on opinion and cannot be observed. These, through interaction with clients, provide guidance and feedback on how to

achieve client satisfaction. According to Gurliacci (2005: 5) interpersonal skills of employees therefore play an important role in order to be able to determine client perceptions.

The researcher is of the opinion that prior to determining the requirement for either a hard or soft standard, research is required. Client defined standards are therefore established to define process or employee performance that assist in meeting expectations of clients. According to Cant and van Heerden (2004: 224) overall service quality evaluation is based on the evaluation of multiple service expectations. Therefore each service encounter with a client is utilised to establish service quality. Through each service encounter it is possible to better understand client requirements and expectations.

2.3.5.2 Developing client defined standards

To create client defined standards it is necessary to move through a series of steps/sequences in order to ensure that all aspects are thoroughly researched and understood. These steps will be discussed as follows:

The first step concerns the identifying of the service encounter sequence. It is necessary to clearly define the various encounters between the client and the business. Each encounter provides an opportunity for the business to discover clients desired service delivery (Bly, 2003: 236).

The second step encompasses the translation of client expectations into behaviour. According to Poggione (2007: 5) client requirements and expectations are translated into specific behaviours or actions that will be implemented by the business. Information on behaviour and actions will therefore need to be collected and interpreted in order to create the link between the requirement necessitating the specific behaviour (Laroche, Kalamas, Cheikhrouhou and Cezard, 2004: 361).

The third step is the creating of client-defined standards. Once information pertaining to the behaviours and actions of clients has been gathered it is possible to create client-defined standards. Client-defined standards encompass a broad-spectrum of standards. Standards such as those based on behaviour, and those standards that address areas identified by clients as requiring improvement or maintenance are the most common mainstream forms of client defined standards. According to Pilch (2007: 37) these client-driven standards, however may also cover behaviour that may be improved by employees. Hereby the standards will clearly define the areas in which employee's client service may be improved in order to meet the clients' requirements of good service.

Bly (2003: 50) believes that in order for these client-defined standards to be effective it is essential that employees accept them. Accepted standards have a greater likelihood of being implemented by staff, than those regarded as unrealistic by employees. These accepted standards will result in employees delivering a high quality of service delivery and may thus create client satisfaction. Furthermore standards are proactive in that they attempt to create positive perceptions rather than react to negative feedback and should be challenging but realistic.

The fourth step is the deciding upon whether to use hard or soft standards. It is necessary to decide on whether to focus on client requirements that can be measured or on client perceptions. Cant and van Heerden (2004: 225) are of the opinion that the number of clients may be a contributing factor in this regard. Greater numbers of clients limit the possibility of using interpersonal interaction with clients to determine perceptions.

According to Philippidis (2006: 20) the fifth step is the development of a feedback mechanism. It is essential that feedback mechanisms be developed in such a manner that they reflect the client's view rather than that of the business.

The sixth step is the establishment of target levels. Businesses need to establish target levels for each standard. Target levels help to quantify whether standards have been met. According to Sharma and Ojha (2004: 110) the seventh step is to track measures against standards. This step is achieved through the gathering, analysing and interpreting of information about clients. Through this, businesses may determine the cause of any declines in market share that may appear as well as the root cause thereof.

The eighth step is the provision of feedback about performance to the employees. Through the above steps it is possible for problems to be identified. Data and facts are analysed and distributed to support decision-making. Service delivery by employees in terms of internal clients (other employees) must be measured in order to determine how these performance levels will manifest itself on external service delivery levels (Breur, 2006: 64).

Cant and van Heerden (2004: 21) propagate that client needs are dynamic. The ninth step consequently concerns the updating of target levels and measures. Therefore, in order to ensure truly client defined standards, it is necessary to revise the targets and measures to ensure that they match changing client perceptions. Once there has been a decline in client perceptions it is necessary that the business take specific steps in order to recover client satisfaction.

2.3.6 Perceptions of service quality

Perceptions refer to a client's views of the service they actually received. Perceived service equal to or better than the expected level of service is likely to result in client satisfaction (Hauser and Paul, 2006: 17).

2.3.6.1 *Factors affecting perceptions of quality*

The following is a discussion of the factors that may influence these perceptions of service quality.

2.3.6.1.1 Service encounter

Stanton (2006: 72) believes that the service encounter refers to the interaction between the client and the service provider. The initial encounter provides an immediate indication of the business's service quality. Subsequent encounters contribute to the client's overall satisfaction and ultimately to client loyalty. Each individual encounter creates a composite image of the business in the client's memory. All specific encounters are therefore critical. The researcher is of the opinion that employees must have interpersonal skills as well as being orientated towards solving the client's problems. Positive encounters increase an overall impression of high quality service while negative encounters may detract from the original perception of a high service quality.

2.3.6.1.2 Evidence of the service quality

Due to the intangible nature of service clients will normally search for evidence of service quality in every interaction with the business. The additional elements to the traditional marketing mix (see page 32), of people, process, and physical evidence, represent the service, and ultimately provide evidence that add tangibility to the service and as such impact on the perceived quality of the service. The elements are critically important in managing service quality and in creating client satisfaction according to Bly (2003: 242 and 243). To illustrate, clients judge how the process works by evaluating the attitude of the staff as well as the physical evidence of the service. These elements may either re-enforce or destroy clients' perceptions regarding the level of quality delivered.

2.3.6.1.3 Image

The image or reputation of the business may influence perceptions of service quality. Image refers to the perceptions of a business reflected in the associations held in the client's memory. According to Poubanne, Clerfeuille and Chandon (2006: 32) associations may be either concrete or emotional, such as the hours of operation, or reliability, respectively. Associations may relate to the service experience, the business, or the user of the service. Image is built up in the mind of the client through communication. Actual experiences with the business reinforce this image. A positive image may serve as a buffer against incidents of poor service. Bad service experiences will erode the positive image of the business (Horovitz, 2000: 6).

2.3.6.1.4 Price

Lovelock (2001: 17) advocates that the price of a service may also constitute a factor that influences perceptions of quality, satisfaction, and value. As services are difficult to judge before they are purchased, price is relied upon as a surrogate indicator of quality. It will influence quality expectations as well as perceptions. According to Hupp and Powaga (2004: 227) clients will expect a higher quality with a higher priced service and therefore perceptions will be influenced as a result. Too low a price may cause clients to doubt the quality of the service. The price charged also influences value perceptions. This is particularly the case after consumption when clients assess whether the benefits received warranted the cost of the service (Luo and Bhattacharya, 2006: 15).

2.3.6.2 *Strategies for influencing perceptions of the quality of service*

As seen in the gaps-model in section 2.3.2 (page 52) perceptions play a pivotal role in the creation of client satisfaction. Campbell, Davis and Skinner (2006: 359) indicate that managers may employ certain strategies to influence

perceptions as well as the factors that influence these perceptions. The following is a brief illustration of the strategies managers may employ in order to positively influence the perceptions of clients.

2.3.6.2.1 Measurement of client satisfaction

Managers of client-orientated service businesses will need to measure and monitor client satisfaction, as well as the business's service quality. The measurement of client satisfaction will assist in the diagnoses of problem situations, which influence the quality of the service, either positively or negatively. According to Kocakoc and Sen (2006: 624) due to the fact that each service encounter is critical to client retention, businesses must attempt to achieve client satisfaction by delivering superior quality service. The researcher is of the opinion that to achieve client satisfaction there needs to be clear and concise documentation of all points of contact between the business and its clients. This will clearly identify areas where problems may arise within the service encounter (Zeithaml and Bitner, 2000: 95).

2.3.6.2.2 Development of recovery plans

Mariotti (2000: 298) believes that in the event of service failures there needs to be effective recovery plans in place to ensure that the client's perception of the quality of the service is confirmed. Gitomer (2006: 19) indicates the implication is that service process and system analyses need to determine the cause of the failure, so that a redesign may ensure satisfaction and higher reliability. The inherent variability of services causes service failures to be inevitable (Mariotti, 2000: 298).

2.3.6.2.3 System adjustments to ensure quality

It is necessary for the business to collect information that indicates that a system adjustment is necessary prior to the adjustment being made. Organisational adaptability and flexibility may influence feelings of satisfaction in clients. Therefore it is necessary that the business knows when and how to explain denials of requests. According to Bly (2003: 250 to 252) knowledge of the service concept, the delivery system, and system standards, will assist when explanations and adjustments are required to achieve service quality. Spontaneity will provide memorable encounters for clients.

2.3.6.2.4 Training

It may occur that the client causes dissatisfaction himself or herself. Harrell (2002: 338) believes that in order to ensure service quality, a two-fold approach may be followed. Firstly, front-line staff must be trained on how to handle difficult clients. Secondly, clients must be trained to know what to expect as well as to what constitutes acceptable behaviour (Lee, Grabel and Ryder, 2005: 10).

2.3.6.2.5 Manage quality dimensions

The dimensions of quality may be related to each individual encounter. It is necessary to manage the traditional marketing mix effectively so as to reinforce quality. Finally, the special elements applicable to services namely: people, process, and physical evidence, may assist in further the quality of the delivery of the service. Bly (2003: 225) believes that these are important means of creating positive perceptions as they result in indirect interaction with clients. Hereby the business can actively manage the quality of service delivered.

2.4 SERVICE RECOVERY

Service recovery refers to the actions taken in response to service failure. Service failure results in negative client perceptions. Service failures that are not addressed result in negative word-of-mouth and in extreme situations legal action being taken. The researcher believes that it is imperative that client problems be resolved effectively. Hereby client loyalty and indirectly profitability will increase. A well-designed service recovery strategy provides information that may be utilised to improve service delivery. According to Gitomer (2006: 31) cost of failure is reduced and client satisfaction is improved. However, a poor recovery system may further aggravate negative client perceptions.

2.4.1 Client response to service delivery

Clients often follow one or two forms of actions when they have experienced poor service. The first form of response consists of taking action and the second form of response is to do nothing about the poor service delivery. Regardless of the form of response taken, the ultimate result concerns the decision as to whether to remain with the service provider or to change to an alternate provider (Gruber, Szmigin and Voss, 2006: 625).

2.4.1.1 *Types of response*

According to Bly (2003: 40) if the client decides to take action, there are various forms that he/she may utilise. Firstly, a dissatisfied client may choose to complain directly to the service provider. Secondly, a client may complain to family / friends. Thirdly, a client may complain to an external third party. This negative word-of-mouth may be extremely detrimental as it re-enforces negative feelings and spreads it.

2.4.1.2 *Types of complainers*

Cant and van Heerden (2004: 122) identifies that primarily four categories of complainers exist. Passive complainers comprise the first category. These complainers are the least likely to take any form of action. Aspects such as the effectiveness and consequence of complaining play a pivotal role in the decision of whether to complain. Voicers as the second category represent clients who actively complain to service providers, but are less likely to spread negative word-of-mouth to outside parties. They believe complaining can be positive and thus allow the service provider a second chance to correct the service delivery. Irates comprise the third category. These clients as complainers are more likely to participate in negative word-of-mouth and to change service providers. Activists comprise the fourth category, these clients complain both to the service provider and to outside parties.

Research has indicated that there is consensus among academics that the nature of the service will determine whether clients complain. Expensive, high-risk or ego involving services are more likely to have high levels of clients that complain. According to Hamburg, Koschate and Hoyer (2006: 24) less-expensive or frequently purchased services have lower levels of complaints. In other words, clients are not likely to complain about less important services.

2.4.2 Service recovery strategies

The following steps may be utilised in order to deliver excellent recovery to dissatisfied clients:

The first step is to perform the service correctly the first time. To prevent client complaints the business must attempt to ensure that they deliver high service quality the first time. In this way clients receive the service they desire and are satisfied from the beginning. The second step is to welcome complaints from

clients. A critical component of a service recovery strategy is to welcome complaints. Complaints should be anticipated and tracked. Boone and Kurtz (2004: 584) believe that part of encouraging complaints involves teaching clients how to complain, in terms of who to speak to and what processes to follow. It is imperative for the business to remember that clients want justice and fairness in the handling of their complaints.

The third step is for the business to act quickly once the client has complained. Clients complaining want quick and effective results. It is imperative that the business be prepared to act on complaints quickly. Clients want the person who initially hears the complaint (front-line staff) to solve it. In order to achieve this it is necessary to empower employees through training. Hereby, front-line staff are supplied with the skills and authority to engage in effective recovery (Lamb, Hair and McDaniel, 2004: 545).

The fourth step is for the business to treat all clients fairly. Clients expect to be treated fairly in terms of the outcome they receive, as well as in the process of service recovery (McLellan, 2006: 35).

The fifth step is for the business to learn from the recovery experience. Complaints provide an invaluable source of diagnostic and prescriptive information for improving client service. Baker (2005: 4) believes that it is possible for the business to identify systematic problems as well as their root causes due to complaints being submitted by clients.

The sixth step is for the business to learn from its lost clients. Formal market research may be utilised to discover the reasons for clients to switch service providers. In Bly's (2003: 50) opinion, hereby the business may learn from their failures in order to prevent other dissatisfied clients from leaving the business.

Due to the generic nature of financial services it is relatively easy for dissatisfied clients to switch to an alternative commercial bank. Recovery strategies may therefore be useful in assisting commercial banks to recover lost clients.

2.5 FINANCIAL SERVICES

According to Hawkins (2004: 180) financial services have the characteristics inherent to service marketing. They do however differ in certain aspects. These differences will be briefly discussed in the subsequent sections. Financial services offered by financial institutions in South Africa will be further discussed in Chapter 5.

2.5.1 Differences in characteristics

As mentioned in the above paragraph, financial services possess the same characteristics as all forms of service. However, the application and effect of these characteristics have subtle differences dependant on the nature of the service being performed (Genn, 2007: 33).

Commercial banks attempt to tangibilise the services offered through aspects such as ATM's and credit cards for instance. According to Alam (2003: 973) commercial banks in South Africa have actively moved towards the automation of many of their services, thereby reducing the extent of interaction with staff and extending the degree of separability lifecycles.

According to Boone and Kurtz (2004: 360 and 361) the complexity of the transaction determines the extent of variability, the greater the degree of automation, the greater the degree of standardisation. Perishability of services are reduced as services that are not delivered on a specific day may easily be performed the following day. Furthermore, clients tend to stay with financial

service providers as the services are often utilised by clients during various stages of their lifecycles.

2.5.2 Financial services marketing mix

The financial marketing mix may therefore be adapted according to the specific characteristics mentioned in Section 2.5.1. Innovation in relation to financial services is limited due to the ease with which competitors may respond. According to Farquhar (2007: 23) the prices of services delivered are also regulated to a great extent by legislation within South Africa. Therefore commercial banks place emphasis on the availability of services, the quality of staff, extent of automation and the appearance of support material. In other words commercial banks concentrate on place, people, process and physical evidence when developing their marketing mixes. The main focus is therefore, convenience when using the service.

2.6 BUILDING CLIENT RELATIONS

As financial services are utilised by clients during different phases of their life cycle, the building of relationships may be beneficial. Relationship marketing focuses on maintaining current clients. In the opinion of Lamb, Hair and McDaniel (2004: 448) clients are more likely to remain with a service provider who consistently provides quality service and value for money. Relationship development would therefore be beneficial to both parties. Financial institutions would have a definitive client base to which they could market, while clients would be ensured of quality service and value for money.

2.7 CONCLUSION

Service marketing is the performance of an act or service that is offered by one party to another, in order to bring about a desired change. The special characteristics of services necessitate the expansion of the traditional marketing mix. Three additional elements namely, process, people, and physical evidence, were introduced. These elements are the primary means of adding tangibility to services. They cannot however operate in isolation from the elements of the traditional price, place, product, and promotion marketing mix.

The measurement of service quality is considerably more difficult due to the special nature of services. Furthermore, clients usually base their evaluation of services upon expectations and perceptions, two very subjective elements. Services marketing may also benefit from the concept of relationship marketing. Committed and profitable relationships are established, providing benefits for both parties. Service industries have evolved into a viable and recognised section of the economy. Consequently service marketing has developed and grown in conjunction with the growth in the service sector.

Financial services are frequently utilised. While financial services share most of the characteristics of other services, they have certain aspects that differentiate them from traditional services. A main characteristic is that financial services are utilised by clients repeatedly during different stages of their life cycle. Therefore the development of relationships with clients would be beneficial to both clients and the commercial banking industry. Relationship marketing will be discussed in further detail within the following chapter.

CHAPTER 3

RELATIONSHIP MARKETING

3.1 INTRODUCTION

The definition of marketing identifies a move towards the satisfying of a chosen group of client's needs and wants. As identified in Section 2.2.2 (page 33) employees play an imperative role in the delivery of a high quality of service in the marketing and delivering of a service offering. In addition to this is the fact that services are intangible. These aspects create the need for the development of a relationship with the client. In relation to services, clients lack the physical goods on which to base their perceptions of service quality and often rely on their interactions with the staff of the service provider on which to base their perceptions of service quality. Relationship marketing, in conjunction with service marketing, may therefore work towards the creation of a positive client perception of service quality and ultimately client satisfaction. To achieve this businesses have developed market-driven companies that are specifically designed to create and deliver value to their chosen clients. Marketing to the masses with emphasis on product characteristics is no longer a viable option to businesses. It is from within this market-driven structure that relationship marketing developed (Buttle, 2004: 15).

Relationship marketing is broadly defined as a strategic approach to the development of relationships with key clients/client segments (Egan, 2001: 23). The researcher chooses to define relationship marketing as relationships that make it possible to establish, maintain and enhance service delivery to clients, thus ultimately improving the profitability of the business. In order to understand the effectiveness of relationship marketing, it is necessary to understand the principles of differential relationship marketing (Palmatier and Gopalakrishna, 2005: 22).

3.2 DIFFERENTIATION PRINCIPLES OF RELATIONSHIP MARKETING

Relationship marketing is based on three differentiation principles. Firstly, the maximising of the 'lifetime' of the client. Secondly, the development of relationships with stakeholders. Thirdly, the move from marketing as being the responsibility of only the marketing department to a 'cross-functional' responsibility. All departments within the business are therefore actively engaged in marketing. Maloney (2004: 1 to 4) highlights the consensus among academics as to what these principles are. These principles are briefly named in the subsequent paragraphs.

Maximising the 'lifetime' of the client refers to the realisation by the business that not all clients are equally profitable. Strategies are therefore developed in order to increase the profitability of target clients through one-to-one marketing, thereby extending the period that the client remains a client/customer of the business. In other words extending the lifetime of the client (Gruber, Szmigin and Voss, 2006: 623).

Conventionally, marketing has been focused on clients. Relationship marketing focuses on the multiple market domains that may affect the business's ability to obtain and retain profitable clients. According to Palmatier, Scheer and Steenkamp (2007: 186) suppliers, employees, distributors and stakeholders are included within the marketing strategy, so that the business can manipulate them to support the relation building process of the business.

Cross-function marketing focuses on the belief that everyone in the business serves a client, whether it is an internal or external client. Relationship marketing advocates that when there is a focus on internal clients (other staff members) staff become accustomed to delivering quality service to clients internally and therefore apply it to external clients (Boone and Kurtz, 2004: 11).

3.2.1 Types of relationships as a differentiation principle

From these principles it becomes clear that various forms of relationships may exist between the various types of clients. The building of relationships with clients is one of the primary differentiating aspects of relationship marketing as opposed to alternative marketing theories such as transactional marketing. As such it is necessary to examine the various types of relationships that a business may develop with the client. Numerous relationships exist between the buyer and the seller. Jungki (2005: 10) is of the opinion that there are certain aspects that impact upon the development of relationship marketing. As a result relationships may be broadly categorised into the following groups:

3.2.1.1 *Organisational relationships*

Organisational relationships refer to the relationships between clients and the business. These relationships are created in the absence of any interpersonal interaction with staff. Lamb, Hair and McDaniel (2004: 354) are of the opinion that 'structural' capital – which is the relationship formed between the business as an entity and the client – remains even if human capital (staff) is lost. In essence even though clients interact with front-line personnel directly, a relationship (loyalty) is developed with the business rather than only with staff. Therefore, even if a staff member were to leave the business, clients would continue to use the services of the business, as the knowledge of the level of service of the business is embedded within the client.

3.2.1.2 *Learning relationships*

McKean (2002: 59) believes that these relationships are built on knowledge. The divulging of information by the client to the business provides the business with the opportunity to customise the service offering in order to better meet the needs of the client. Client information gives the business insight into the clients

needs, wants and preferences. The more the client divulges, the easier it is to adapt the service offering. Thus this form of relationship uses every interaction with the client to become more knowledgeable. Information therefore becomes an essential resource in the building of the relationship with the client (Martin, 2004: 180).

3.2.1.3 Motivational investments as a relationship

The level of motivational investment on the part of both the buyer and the service provider determines the extent of the relationship developed. It is hypothesised that traditionally four types of relationships exist in relation to this category (Cant and van Heerden, 2004: 28). The first motivational investment relationship is referred to as Bilateral. Bilateral motivational investment refers to a relationship where both parties are highly motivated to invest in the relationship. Subsequent types are more uni-dimensional in nature, with primarily one party driving the development of the relationship with the client. The second relationship is seller-maintained. Hereby the seller largely manages the interaction as well as the development of the relationship. The third is buyer-maintained. Here relationships are created when the buyer is the more dominant partner. The fourth form of motivational investment relationships is the discrete exchange. Discrete exchanges are low-involvement purely transactional relationships (Berman, 2006: 125).

3.3 DIFFERENCES BETWEEN TRANSACTIONAL AND RELATIONSHIP MARKETING

Relationship marketing is not a theory that was created mutually exclusive from the mainstream marketing theories. Rather it is a derivative of transactional marketing. It extends the client's interaction with the client to new and possibly profitable levels. According to Peltier, Schibrowsky, Schultz and Zahay (2006:

148) transactions with clients were often regarded as once-off interactions that simply sought to sell the service to the client and as such make a profit for the business. This trend in developing relationships with clients developed parallel to the move in marketing orientations in the industry. No longer were the needs of the business paramount to those of the clients but rather vice versa. In order to implement this change in orientation relationship marketing developed. It seeks to create new value for clients obtained through transactional marketing. The differences between relationship marketing and transactional marketing may be summarised in the table below as follows:

Table 3.1: Differences between relationship marketing and transactional marketing

Transactional	Relationship
Focus on single sales	Focus on client retention
Focus on service 'features'	Focus on service benefits
Discontinuous client contact	Continuous client contact
Short-time scale	Long-time scale
Little emphasis on client service	High-emphasis on service
Limited commitment to meeting expectations	High commitment to meeting expectations
Quality only concern of service staff	Quality the concern of all staff
Push price	Promote value
Getting new clients	Keeping clients
After-sales service at additional cost	After-sales service as investment
The deal is the end of the relationship	The sale is the beginning of the relationship
Rewards incentives for buying	Rewards incentives for maintaining relationship

Source: Adapted from Egan (2001: 212) and Boone and Kurtz (2004: 368).

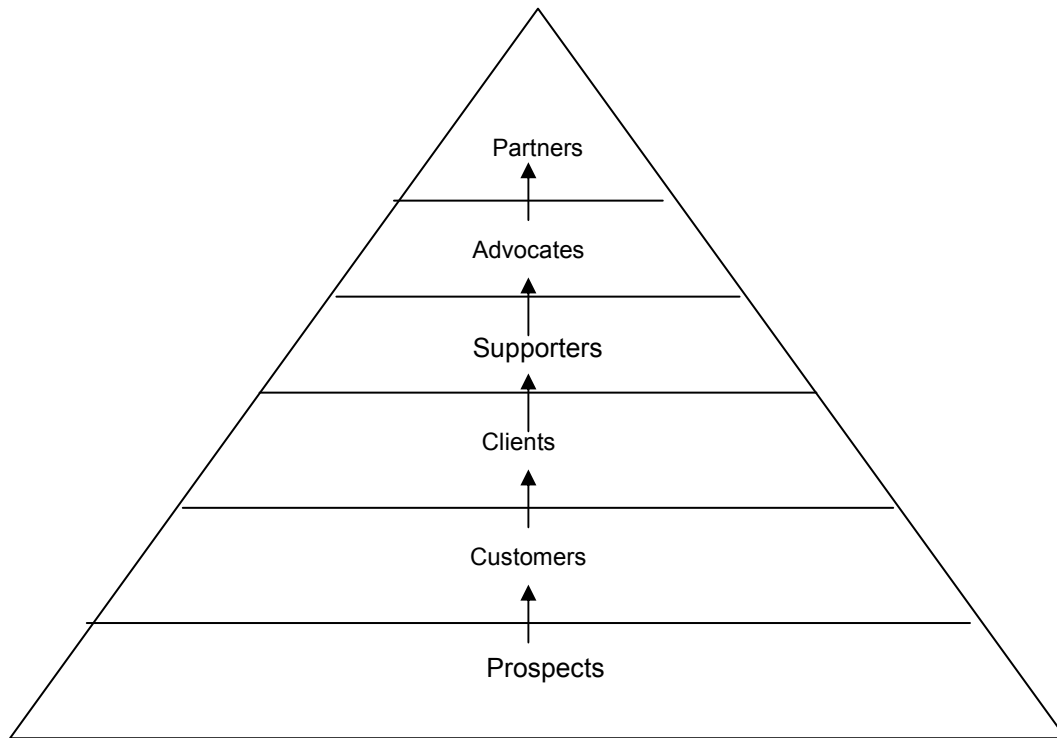
3.4 LEVELS OF RELATIONSHIP MARKETING

Relationship marketing is out of necessity a long-term process. According to Crie (2004: 242) clients move through a series of phases during the process,

prior to the development of a relationship. The phases are namely, prospect, customer, clients, supporter, advocate and partner. These phases will be briefly indicated as follows:

The first phase of relationship development is referred to as Prospects. Prospects refer to the broad target market. Prospects are converted into customers. It is imperative to note that within the marketing science a differentiation is made between clients and customers. Therefore clients and customers for the purpose of this chapter are not synonymous. The researcher therefore wishes to emphasise that especially with reference to the relationship levels clients are regarded as being in a higher phase of relationship development than customers. Piercy and Lane (2005: 255) indicate that customers are those who have only one transaction with the business on an infrequent basis. The aim is to convert customers into clients. Clients are those who do business with the business on a more frequent/repetitive basis. Clients later become supporters. Supporters prefer to be associated with a specific business. Supporters may be persuaded into becoming advocates. Advocates actively recommend the service and service provider and may later become partners with the business. Partners seek further ways to extend the relationship to the mutual advantage of both parties.

In the researcher's opinion relationship marketing moves through a process of elimination while the traditional 'Ladder of Loyalty' (as depicted in Figure 3.2) does not clearly indicate this degree of elimination. This proposed relationship levels model is more clearly illustrated in Figure 3.1 on the following page.

Figure 3.1: Relationship levels

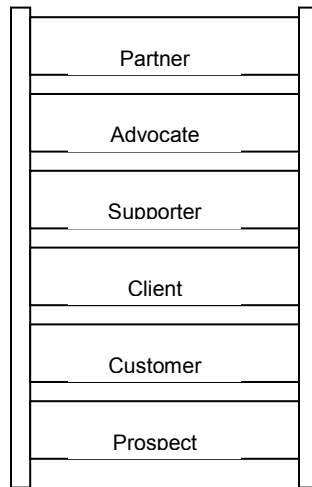
Adapted from Christopher, Payne and Ballantyne (1998: 22; Piercy and Lane, 2005: 255).

As may be seen, the prospect level consists of a great many more clients that may be targeted. However, only a small percentage of the target market will become customers who use the service infrequently. From these customers a small amount will become repeat users referred to as clients. The use of relationship marketing creates the development of supporters, those few clients who prefer the association with one specific service provider. From this small number of supporters a few will become advocates and from these they will become partners (Boone and Kurtz, 2004: 172).

The traditional ladder implies that the same amount of prospects may ultimately become partners. However, this is not always possible. It is generally agreed among researchers that approximately 20 percent of clients are responsible for

80 percent of business. According to Strauss (2006: 17) this theory is commonly referred to the 80/20 Pareto Principle. The 80/20 Pareto Principle, time, money and client value prevent the ability to keep all prospects as partners. The traditional ladder is illustrated in Figure 3.2.

Figure 3.2: Ladder of Loyalty



Source: Adapted from Christopher, Payne and Ballantyne (1998: 22) and Strauss (2006: 17)

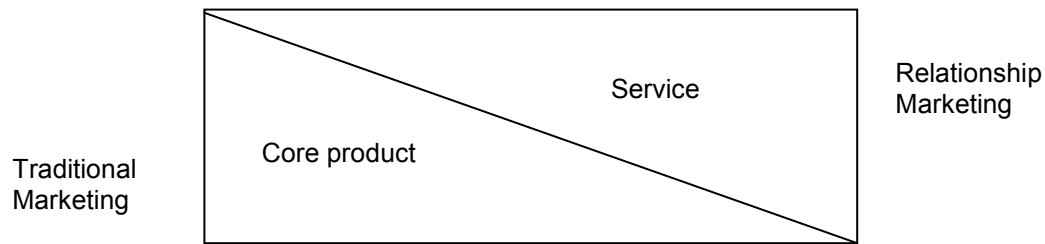
3.5 RELATIONSHIP MARKETING CONTINUUM

Traditional marketing focused primarily on once-off transactions while relationship marketing concentrates on building relationships with clients. However, a concentration on solely one of the two extremes is not necessarily possible. Most often a combination of the two are utilised by businesses (Hultman and Shaw, 2003: 36).

Egan (2001: 82) indicates that the degree of use of traditional or relationship marketing will be dependent upon the nature of the product. At one end of the continuum are products that facilitate the use of transactional exchange with

price sensitive clients. On the other end of the continuum is the concentration on long-term relationships with less price sensitive clients. According to Peltier, Schibrowsky, Schultz and Zahay (2006: 146) a movement to the right indicates a focus on service, while a movement to the left will indicate a concentration upon the core product.

Figure 3.3: Relationship marketing continuum



Source: Adapted from Egan, 2001: 40.

3.5.1 Implications of the relationship continuum

The marketing implications across the strategy continuum of relationship marketing as opposed to traditional marketing are substantially different concerning the following areas.

According to Boone and Kurtz (2004: 177) dominating marketing orientation may be an implication. Relationship marketing advocates that marketing is not solely limited to the marketing mix or the marketing department. Rather marketing is the responsibility of the whole business. Traditional marketing believes that the marketing role of personnel outside the marketing department is negligible.

Dominating quality function may also be considered as an implication. All interactions within the business need to meet the quality perceptions of clients, not simply the technical quality according to the relationship marketing discipline.

As per traditional marketing quality of output is the main requirement (Nelson, Chan and Gibson, 2007: 223).

Client information systems may also be considered as an implication. Businesses prescribing to the traditional form of marketing have little if any direct client interaction (only so as to close the sale). Ad hoc client satisfaction surveys and statistics are relied upon to provide information pertaining to the behaviour and attitudes of clients. Gummesson (2002: 173) indicates that a business employing relationship marketing use continuous client interaction and management of client base to provide client satisfaction information (Martin, 2004: 169).

Interdependency between business functions may also be classified as an implication of the relationship continuum. According to Maloney (2004: 3) interdependency between the various business functions in a business adhering to traditional marketing is limited. Traditionally only the marketing department is responsible for marketing. Businesses following a relationship marketing strategy believe interaction among the various functions is critical to the success of the business.

An additional implication may be the role of internal marketing. An important element of relationship marketing is the preparing of non-marketing staff for marketing. In Lamb, Hair and McDaniel's opinion (2004: 355) relationship marketing develops a commitment among staff members to adopt marketing behaviour – thus employing internal marketing. This need is negligible in a business employing traditional marketing.

3.5.2 Continuum drivers

Once again research has indicated a general consensus among researchers as to the continuum drivers. As such the researcher will accept these drivers.

According to Pelham (2006: 38) certain drivers (promoters) exist which affect whether a business adopts a relationship or traditional (transactional) marketing strategy. The continuum drivers are discussed in the following paragraphs.

Acquisition costs relative to retention costs will influence the selection of a relationship marketing strategy. According to Ryals (2006: 101) if acquisition costs were high relative to the costs of retention a relationship strategy would be beneficial. However, if the difference between acquisition and retention costs are minimal, businesses may be more inclined to utilise a traditional / transactional strategy (Egan, 2001: 54).

Exit barriers (switching costs) are also considered drivers. High exit barriers will encourage the use of a relationship strategy while low exit barriers will discourage the use of relationship strategy. Stanton (2006: 72) indicate that high exit barriers make it considerably more difficult for clients to switch to competitors, as the costs are high for example. It is therefore more beneficial for clients to establish relationships with the business in order to create mutually beneficial relationships. The opposite is true for low exit barriers.

Competitive advantage may also be classified as a continuum driver. Hühn (2004: 230) maintains that if a business is able to sustain its competitive advantage it would be beneficial to use relationship marketing. However, if the competitive advantage is unsustainable then it would be more beneficial for the business to use a transactional strategy.

According to Boone and Kurtz (2004: 171) expanding markets will promote the use of relationship marketing, however a saturated market will be a driver against the use of a relationship marketing strategy. Risk/salience and emotion. Services that are characterised by high risk and high salience may result in the client entering the service encounter with specific intense emotions (for example pensions). This situation caters for the development of close ties characteristic

of relationship marketing. Low risk and low salient services rarely invoke intense emotions (for example the library service). Therefore, there is little need for relationships to be developed and therefore cater for a transactional relationship.

Trust and commitment are important indicators of the viability of relationship marketing strategy. Certain services (such as financial services) rely heavily upon the creating of the perception and need for trustworthiness and commitment. It is therefore necessary for these businesses to embark upon relationship marketing in order to assist in the creation of these perceptions. Industries in which trust comprises mainly the fulfilling of promises do not concentrate on the development of relationship marketing strategies (McKean, 2002: 131; East, Hammond and Gendall, 2006: 17).

Another continuum driver is closeness. According to Ackerman (2006: 7) the higher the perceived need for closeness by clients the greater the need for the use of relationship marketing. However, if clients do not perceive a great need for closeness with the business, there will not be a need for a relational strategy. Client satisfaction is directly linked to client retention. Therefore relationship marketing is utilised to increase satisfaction and ultimately enhance profitability.

3.6 CLIENT RETENTION AS AN OBJECTIVE OF RELATIONSHIP MARKETING

The researcher is of the opinion that client retention is the strategic objective of maintaining long-term relationships with clients. East, Hammond and Gendall (2006: 15) advocate that a high retention rate indicates that there are a low percentage of clients defecting to competitors.

3.6.1 Problems associated with measuring retention

It is difficult to determine a standard method of determining the percentage of clients being retained, or for that matter the number of clients defecting. This difficulty hampers the identification of clients to concentrate on long-term relationships. The main reason for this is because of the different nature of the various forms of industries (Buttle, 2004: 302). The following are a few factors that further underlie the uncertainty.

Product-based view of clients may cause a problem when measuring retention. According to Hackenbrack and Hogan (2004: 16) often clients change the specific service that they utilise from the business. In the database this would be recorded as an entirely 'new' order. As a result the business would record it as a defection by the client as they no longer use the previous service. In other words the system would record a defection and a new order rather than simply a changed order.

Channel-based view of clients may pose an additional difficulty in measuring the retention of clients. Hereby if the client changes the channel from which the service is purchased it is recorded as a lost client. To illustrate, a client no longer purchases the service from the broker but rather directly from the provider. It would be considered as a defection as the service was not re-purchased from the broker (Pelham, 2006: 40).

An additional hindrance in measuring client retention is multiple product ownership. This is specifically applicable to financial institutions. For example a client has a home loan and a current account with a specific bank. According to East, Hammond and Gendall (2006: 23) should the client pay off the home loan the bank database would consider the client as lost as the client did not acquire a new loan – even though the client still possesses a current account. It is also important to remember that clients differ in their sales and buying behaviour.

The above factors may impact negatively on the relationship building process because attempts of the business to win the 'defected' client back may antagonise them if they are still clients using other products or buying from a different channel member. The Pareto Principle (80/20) clearly advocates that a small number of clients may account for a large portion of the business revenue. It is therefore possible for the loss of a few unprofitable clients to improve the profitability of the business (Buttle, 2004: 305).

3.6.2 Retention measures

The following may comprise a partial solution to the determination of the retention rate. It identifies three measures of retention. The first is referred to as raw customer retention. According to Xevelonakis (2005: 226) raw customer retention rate is when the number of clients doing business with the business at the end of a specific measurable period is expressed as a percentage of those who were clients at the beginning of the period. Defection rates are usually higher among new clients than among 'older' clients, as 'older' clients have established relationships with the business (Egan, 2001: 82).

The second form is sales-adjusted. According to Lamb, Hair and McDaniel (2004: 570) sales-adjusted retention rate is when the value of sales from retained clients is expressed as a percentage of sales from clients active at the beginning of the period. A high sales retention rate is also not necessarily a viable indicator. A client may for example, buy ten items from the business in an average year. However during a growth year, may purchase twenty items from the business and an additional thirty from a competitor. The business may record this as an increase in sales retention, however a competitor actually obtained a higher level of sales from the same client.

Profit-adjusted retention rate is the third form. It refers to the profit earned from the retained clients' as a percentage of the profit earned for the active clients at

the beginning of the period. There are also negative aspects associated with this indicator. To illustrate, a bank client has a savings account with the bank. However, during the course of the year, transfers most of the funds to an alternative bank in order to obtain a higher interest rate. This client is technically regarded as a client, but a less valuable one (Boone and Kurtz, 2004; 381).

Therefore the main concern of relationship marketing is to ensure that relationships are developed with strategically significant clients – usually the most profitable (Buttle, 2004: 303).

3.6.3 Determination of clients to retain

Boone and Kurtz (2004: 178) advocate that clients with the highest strategic value are the most commonly selected for retention. However, these clients are also likely to be attractive to competitors. The level of commitment is also a major determinant. If clients are highly committed and impervious to competitors, less funds need to be spent on retention. Higher funds will therefore need to be spent on significant clients who are not committed in an attempt to build a long-term relationship with them.

3.6.4 Strategies for client retention

Certain strategies exist for the retention of clients, thus improving the chances of building a relationship with them. These strategies are briefly discussed:

3.6.4.1 Positive and negative retention strategies

McKean (2002: 141) indicates that a negative strategy occurs when the business uses a strategy whereby clients are penalised if they exit from the relationship. This is usually employed through the imposing of high switching cost. A main problem with a negative retention strategy is that clients may feel

trapped. Clients are likely to spread negative word-of-mouth about the business and may refuse to engage in further transactions with the business (Lewis, 2004: 282).

Positive retention strategies are achieved through the exceeding of client's expectations, adding value and building commitment. Buttle (2004: 304) is of the opinion that it is almost impossible to build a relationship with a client if the needs and expectations of the client are not met. Accordingly relationship marketing is built on sound client knowledge. With this knowledge companies may be able to add additional value for clients. The ideal would be the adding of value without increasing the costs to the business.

3.6.4.2 Creating client commitment

While client satisfaction is important, it alone cannot ensure client longevity and a good relationship. Businesses should attempt to develop client commitment. Committed clients are more than just satisfied; they have an emotional attachment to the business. Satisfied clients believe that the business's service is superior to competitors and clients who have a strong intention to purchase the service, that ultimately supersedes all offers from competitors are typical characteristics of clients who are (Buttle, 2004: 15; Egan, 2001: 94).

There are three forms of commitment namely: instrumental, relational and values-based commitment: According to Lewis (2004: 282) instrumental commitment refers to the clients who believe that no other service would satisfy their needs as well. Should a client feel that their bank has the best service, best processes and lowest cost is it likely that they are committed to that specific bank.

Relational commitment occurs when an emotional tie with the business is formed. References are made to staff members who are willing to go the extra

mile for clients. According to Dibb and Meadows (2004: 111) value-based commitment is formed when the client feels that their values are aligned with those of the business. When the client retention strategies are successfully implemented, a business is assured of reaping benefits.

3.7 BENEFITS OF CLIENT RETENTION TO RELATIONSHIP MARKETING

There are numerous benefits, identified by academics, associated with client retention. The researcher has selected a few main-encompassing points. The following may be identified as the potential benefits of client retention. Increase purchases is the first benefit identified. Gupta, Lehmann and Stuart (2004: 12) are of the opinion that over time clients become familiar with their service providers. Satisfactory relationships develop trust and reduce risk and uncertainty. These clients repurchase the service of this provider more frequently and over a longer period of time.

Lower client management costs is another potential benefit. The initial costs incurred during the initial development of the relationship may be slightly higher. However, the costs are reduced over time, as the client becomes more familiar with the business. Client referrals are an additional benefit. Clients who commit more of their purchases to a preferred service provider are more likely to refer the service provider to their friends. According to Ling, Ray and Whinsten (2006: 25) this positive word-of-mouth may change the beliefs or perceptions of others, thus increasing the number of newly acquired clients. Premium prices are yet another identifiable benefit. Clients who are satisfied with the services and who continuously receive a high value and quality of service may be prepared to pay a slightly higher price for the service. To enable businesses of gaining the above advantages, they can adhere to the six markets model.

3.8 SIX MARKETS MODEL

Relationship marketing is formulated on the basis that there are six specific markets, each of which requires direct marketing activities and plans. According to Roberts, Nelson and Morrison (2005: 150) in addition to developing conventional marketing activities for existing and potential clients, businesses employing relationship marketing formulate marketing activities directed as client-, referral-, supplier-, employee-, influence- and internal markets.

Boone and Kurtz (2004: 173) consider clients markets to be the first identifiable market. Relationship marketing focuses on the development of long-term relationships with clients. Often much attention is spent in the obtaining of first-time users, however little or no attention is then spent on converting the client into a repeat buyer. Therefore it is unlikely that the client will progress in the relationship hierarchy without this attention.

Referral markets represents the second market. According to Lamb, Hair and McDaniel (2004: 540) emphasis is spent on developing referral sources for the business, either from clients or alternative sources. As mentioned previously referrals from satisfied clients may influence the perceptions of current and potential clients. Referral systems (networking) are often regarded as more affective than most other forms of marketing.

Supplier markets form the third market for a business. A long-term relationship is developed with a limited number of suppliers on the basis of mutual confidence. Hereby the business may interact with the suppliers, in order to adapt the service or product offering in such a manner that it better satisfies client's wants or needs. It can also assist in developing a service that adds more value to the client (Bly, 2003: 102).

Ashforth (2004: 296) indicates that employee markets represent the fourth market. Currently businesses spend a large amount of time and money on attracting and retaining suitably motivated and trained employees. Businesses are realising that motivated workers deliver a higher level of service delivery and are more profitable.

Influence markets comprise the fifth market to be considered by the business. They refer to additional markets - such as financial institutions and government - that need to be addressed in order for the business to be successful. These markets are usually extraneous to the business and represent an authoritarian figure (Romar, 2004: 663).

The sixth market is the internal market. Hereby marketing is applied internally. It is formulated on the basis that every person within a business has both a supplier and a client. Through this method levels of client service and quality levels are improved within the business. In the opinion of Barnes, Fox and Morris (2004: 593) it also advocates that all staff work together in a unified manner to achieve business missions and goals. This is specific in service businesses where staff interacts closely with clients. For internal marketing to be successful it must be implicit in quality initiatives and service programmes. It must be comprised of both formal and informal activities and communication is essential.

Buttle (2004: 215) indicates that the benefits of internal marketing are numerous, however, most experts believe that the following comprise the main benefits. It plays an important role in reducing conflict. Performs a critical role in competitive differentiation. It is an experiential process, that allows employees to derive conclusions themselves; and is used to facilitate an innovative spirit among staff.

Fundamentally, internal marketing is concerned with communication, development of responsiveness, responsibility and unity. According to Harvey,

Kiessling and Novicevic (2003: 223) it develops constant internal and external client awareness, thus developing a client-orientated business. The six market model serves as a basis from which a business may build a relationship marketing strategy.

3.9 DEVELOPING A RELATIONSHIP STRATEGY

A tactical focus on client service and quality is imperative, however it is not sufficient. In the opinion of Wilson (2006: 40) a relationship strategy based on strategic marketing considerations is necessary to ensure delivery of value to the client (Boone and Kurtz, 2004: 366). The relationship strategy can be segmented into the following steps:

The first step concerns the mission development. The mission statement defines the beginning of the strategic process. Berger and de Young (2006: 1485) indicate that a mission statement explicitly reflects the underlying beliefs, values, goals and strategies of the business. A business mission may be defined as a statement of purpose that distinguishes the business from others and outlines the scope of the business's values and beliefs. It also specifies the specific field of operation. Hereby staff are provided with a framework that allows them to work in a co-ordinated manner to achieve overall objectives. It is important that the mission statement reflects client needs and not product features.

It is the opinion of Jackson (2005: 76) that the second step is the strategic review and internal analysis. Once the mission statement has been developed, it is necessary to conduct a strategic review and internal analysis. Analyses from the competitive and market perspectives are the main areas of concern.

Industry analysis involves the examination of competitors. Aspects such as the nature and degree of competition, barriers to entry, competitiveness of substitute

products, degree of buying power are analysed. Adoption of better relationships among buyers and suppliers will improve profitability as both parties are able to better express needs and preference, thus creating a mutually beneficial relationship (Gummesson, 2003: 75).

Strategy formulation comprises the third step. Strategy formulation concerns the alternative strategies available to the business. In the opinion of Ellis (2007: 28) the decision on strategy is determined by two aspects namely, the product/market areas in which the business competes and what strategy should be adopted.

Value formation is the fourth step. Relationship marketing businesses concentrate primarily on value delivery sequence. Value delivery forms an important basis for the relationship to be delivered. According to Shu-Ching and Quester (2005: 780) this leads to a shift from the traditional view to an externally orientated view of value delivery. It builds on the idea that client's purchase products based on promises of satisfaction, but repurchase products because they are of value. The value delivery process depicts the business from the perspective of the client and develops a marketing strategy that focuses first and foremost on the client rather than on the service (Gummesson, 2003; 126). The researcher believes that value delivery process encompasses the following sub-steps.

Firstly, choose the value. Clients select services that offer superior value. It is necessary to understand the changing client needs and buying processes. Secondly, provide the value. This step concerns developing a service package that creates superior value. A focus on quality, performance, costs and flexibility are of importance. Thirdly, communicate the value. It is the promotional activity needed to persuade clients that the values offered are better than those of competitors (Arnett and Badrinarayanan, 2005: 329).

The fifth step is service quality management. Quality may concern two perspectives – internal and external. Internal quality refers to conforming with standards, established within the business, while external quality is based on clients perceived quality (see page 62). According to Boone and Kurtz (2004: 329) quality must be seen from the client's perspective and not the business's. Therefore clients and not management should measure quality. Once a relationship strategy has been compiled and a relationship developed with the client, it is necessary to manage the relationships in order to ensure continued client satisfaction.

3.10 MANAGING RELATIONSHIPS

When a business wants to incorporate relationship marketing into the marketing plan additional factors need to be added and managed. The researcher is of the opinion that the mere implementation of a relationship market strategy in itself is not sufficient to improve the profitability of the business. The constant management and analysis of the strategy will result in a profitable strategy.

3.10.1 Relationship management philosophy

In relationship marketing each client is an individual regardless of the actual number of clients that a business have. Therefore one-to-one marketing is the ultimate aim. McQuaig (2005: 9) is of the opinion that developments in information technology assist in achieving this goal. Every client requires a different form of communication and individual attention. The philosophy underlying the managing of relationships is thus individually focused.

The management of relationships will differ from industry to industry. High involvement industries require more personalised and individually tailored approaches. In typically low involvement industries relationships are often

managed through database technology. In the opinion of Lamb, Hair and McDaniel (2004: 680) databases allow for the identifying and building of current and potential clients as well as the delivering of differentiated messages and tracking of relationships on an individual basis.

It is important to note however, that even though database marketing has allowed for the development of relationships, not all clients want or need such a relationship.

3.10.2 Managing personal information

Relationship marketing allows for the managing of information, in order to better tailor the relationship with the client. However, issues pertaining to privacy have been raised. It is essential that when attempting to establish a relationship with a client that the following is considered (Fitzgibbon and White, 2005: 215):

Infringement of personal privacy is the first aspect to be considered by the business. The researcher concurs with McKean's (2004: 282) theory that it is likely that clients will react badly when they believe that their personal information is being divulged unnecessarily. This will greatly undermine the development of a relationship with the client. Client privacy is of such a great concern that countries such as the United Kingdom and Germany have introduced Data Protection Laws to protect client privacy (Papasolomou-Doukakis, 2003: 197).

Unwanted attention is another aspect to consider by the business in relation to managing the client's personal information. It is necessary for the business to determine whether the specific client wishes to have a relationship with the business. Gitomer (2005: 21) is of the opinion that not all clients are prepared to develop a relationship with the business, rather preferring to use the service irregularly. Therefore any attempts by the business to establish a relationship may be regarded as unwanted attention.

Utilisation of information is yet another consideration. Often information is inefficiently utilised. If a business routinely asks clients for sensitive information, but then does not put the information to good use it can undermine the relationship. According to Bly (2003: 58) relationship marketers need to use the information currently at their disposal to effectively develop a relationship. The interactive clients of today are accustomed to having their needs met immediately, conveniently and inexpensively as businesses already have the necessary information.

It is also necessary for the business to consider appropriateness. Technology that is used appropriately may assist in allowing the business to learn from each and every interaction with the client, thus deepening the relationship with the client. As with all forms of marketing, relationship marketing has not been completely accepted as appropriate by all practitioners. As such certain criticisms of relationship marketing have developed. These will be discussed in section 3.11 (Blankson and Kalafatis, 2007: 82).

3.11 CRITICISM OF RELATIONSHIP MARKETING

It often happens that managers, as a panacea to all current problems, actively adopt new strategies. However, these strategies are often put aside once the novelty has worn off. According to Buttle (2004: 11) relationship marketing in its essence is a long-term strategy, therefore its benefits are long-term in nature and may not be visible immediately. Marketers therefore need to continually employ it rather than just once in order to reap its benefit.

It is believed that relationship marketing is merely re-emphasising certain neglected areas of marketing. A case of 'going back to business'. Another valid criticism of relationship marketing is the universal success that is claimed in case studies based on selective industries. In the opinion of Papasolomou-Doukakis

(2003: 197) writers frequently omit industries where relationship marketing would be of marginal importance. Therefore, it is necessary to note that relationship marketing is not suited or beneficial to all industries.

In the client goods market it often occurs that businesses are so impressed with the potential benefits of relationship marketing that they engage clients in relationship marketing strategies without the clients being aware thereof. According to Boone and Kurtz (2004: 10) this means that the focus on the business's needs overlook those of the client. This may result in clients being kept in relationships against their will. However, in respect of financial services, relationship marketing has proven successful in the increasing of client profitability.

Relationships may even result in economic inefficiencies developing. In extreme cases networks of buyer and sellers may become so powerful that they acquire sufficient market power to dominate the market. Accordingly governments are revising and contemplating anti-competitive (Carr and Lopez, 2007: 120).

3.12 CONCLUSION

Relationship marketing objectives are broadly defined as the identifying, establishing, maintaining and enhancing and when necessary terminating relationships with clients and other stakeholders, at a profit so that the objectives of all parties involved are met, through mutual exchanged and fulfilment of promises.

Relationship marketing is considered a paradigm shift from conventional marketing. The issue of retaining clients is of more importance than the attracting of new clients. Consequently, there is a movement towards the development of long-lasting relationships with clients. This is often achieved

through relationship marketing. In the face of severe competition and increased client expectations, businesses utilise relationship marketing to create a competitive advantage.

It is clear that relationship marketing aims at developing profitable relations with stakeholders. It differs from traditional marketing in that there is a greater emphasis on the value and long-term nature of client satisfaction. In order to understand clients better, it is necessary to examine client behaviour in Chapter four.

CHAPTER 4

CONSUMER BEHAVIOUR

4.1 INTRODUCTION

In order to develop successful relationship marketing strategies it is necessary to understand client behaviour and its determinants. The interaction between both relationship marketing and the thorough understanding of client behaviour may contribute towards a high level of service delivery and thus successful service marketing strategies being employed by the business. Client behaviour refers to the behaviour displayed by clients in searching for, purchasing, using, evaluating and disposing of services to satisfy their needs. Cant, Brink and Brijball (2002: 5) define client behaviour as the study of how individuals make decisions to spend their available resources (time, money and effort) on consumption related items (Piacentini and Mailer, 2004: 262).

There appears to be a general consensus among marketing practitioners (practitioners such as: Cant, Brink, Brijball, Hawkins, Best, Coney and Cheales) as to the core elements/components in the definition of client behaviour. These elements refer to activities involved in the consumption of products/services.

However, Hawkins, Best and Coney (2004: 7) provide, in the researcher's opinion, the most comprehensive definition of client behaviour. They define it as follows: 'Study of individuals, groups, organisations and the processes they use to select, secure, use and dispose of products, services, experiences or ideas to satisfy needs and the impacts that these processes have on the client and society.'

This definition expands upon the traditional view that focused primarily upon the buyer and the purchasing process. It is now possible to examine the effect of

indirect influences upon purchasing decisions. Knowledge of client behaviour is critical for marketers because of the influence on purchasing decisions by clients. It allows managers to collect information about specific clients as well as the most effective ways of satisfying their needs (Carr and Lopez, 2007: 113).

It is necessary for businesses to understand how and why individuals make their consumption decisions, in order to make strategic decisions. An understanding of client behaviour facilitates the prediction of client reactions to potential changes. According to Gordon (2006: 75) in this manner most marketing decisions and actions are based upon client behaviour studies. Therefore knowledge of client behaviour can as a result, provide the business with a competitive edge.

To enhance the competitive advantage businesses need to provide more value than their competitors. Client value is indicated as the difference between the benefits obtained from a product, as opposed to the costs of acquiring the service. According to Morrison (2006: 25) in order to provide superior client value the business needs to anticipate and react to clients' needs before the competitor does. Understanding of client behaviour and the implementation of marketing strategies integrating this understanding will assist with this goal. The marketing mix is then developed whereby the business attempts to provide more value than competitors (Cant, Brink and Brijball, 2002: 28).

Two main approaches for the study of client behaviour exist, namely positivism and experientialism. Positivism approach advocates the ability to predict client behaviour and allows for the behaviour to be influenced. Through this approach marketers concentrated on the predicting of client behaviour in order to develop marketing strategies accordingly. In the opinion of Neal, Quester and Hawkins (2002: 5) marketers would therefore determine client behaviour according to how they thought clients would react in certain instances, rather than basing the prediction on valid factual information. Experientialism expands the client

behaviour theory further. This theory does not only attempt to predict client behaviour but also to understand it. Aspects such as moods, emotions, types of situations and rituals for instance are considered and analysed to determine their effects on client behaviour. Understanding of these aspects influence assist marketers in predicting client behaviour more accurately (Hamlin, 2003: 333).

In the researcher's opinion a combination of both approaches are necessary. Hereby both prediction and understanding of the behaviour will provide a complete picture of the client. This together with client research will allow the business to make strategic decisions. To form a basis for the understanding of the two approaches to client behaviour the aspects of client behaviour needs further attention.

4.2 ASPECTS OF CONSUMER BEHAVIOUR

For client behaviour to be effective, three clear aspects needs to be present. These aspects are dynamic nature, interaction between parties and exchanges.

4.2.1 Dynamic nature

Client behaviour is dynamic. This means that the behaviour is constantly changing. As clients do not remain static in their needs, wants and preferences, their behaviour adapts accordingly. Coffey, Palm and Shobe (2006: 48) believe it is therefore possible to conclude that client's behaviour is constantly changing and evolving over time. Accordingly generalisations in relation to client behaviour, if used, are limited to short-time periods. One uniform marketing strategy can therefore not be developed for an extended period of time over all groups of clients (Harrell, 2002: 9).

4.2.2 Interactions

According to Cram (2001: 21) client behaviour does not occur in a vacuum, clients interact with staff, other clients and physical facilities when purchasing or using a product or service. It also involves interactions between cognition, behaviour and events. Logic and environmental aspects influence clients in the determination of whether to utilise services or not. To develop superior quality service and client value, businesses need to understand what clients think, what they do and what environmental aspects affect/influence them during the purchasing process (Greer, 2007: 52).

4.2.3 Exchange

Client behaviour facilitates exchanges between parties. It is important to note that exchanges in terms of money and products are not the only form of exchanges that occur between clients and the business. Information exchanges are an imperative aspect of successful service delivery. Arnould, Price and Zinkham (2004: 135) through the exchanging of information, businesses may deliver superior quality service to clients, who in turn receive value for money. Client indication of their preferences to the business allows for the customisation of the service offering by the business, to better satisfy clients' needs and wants. Profitability may ultimately be improved as a result of this strategy.

4.3 CONSUMERS AS INDIVIDUALS

The aspects of client behaviour, especially the dynamic nature, as discussed in Section 4.2 (see page 124) relates to clients as individuals. Individualism of clients, as an important facet of client behaviour, will be discussed in more detail in the following paragraphs. While clients experience the same concepts such as

values, motives and needs they do not express these in the same way. The concepts are integral in understanding client behaviour (Lewis, 2004: 290):

4.3.1 Values

Values are frequently defined as beliefs that determine what clients view as acceptable and desirable. It is therefore necessary to understand a client's underlying values prior to being able to understand current and future client behaviour. Hawkins, Best and Coney (2004: 41) categorises values into three main groups namely, self-, environment- and other-orientated).

Self-orientated values result in increased emphasis being placed by clients on leisure and immediate gratification. They deal primarily with aspects such as hard work, leisure material and non-material, gratification and non-gratification relationships. Environment orientated values prescribe the client relationships with the economic, technical and physical environments. Values such as cleanliness, traditions, risk taking and problem solving form the basis of this main category of values. Graham (2007: 140) advocates that other values encompass society's views of the appropriate relationships between individuals with a specific subset of society. The emphasis and importance of individualism of the members of society and the competition regulations among businesses are a few of the main influences of values within this category. The former analyses whether society promotes the advancement of the individual above that of the community or vice versa. To illustrate Western Culture advocates individualism as opposed to community orientated thinking popular in Africa for example. (Neal, Quester and Hawkins, 2002: 431).

4.3.2 Motivation

Motivation is the second concept underpinning clients as individuals. For the purposes of this study, motivation will be defined as the driving force that impels

individuals to action. Cant, Brink and Brijball (2002: 117) are of the opinion that this driving force is produced by a state of tension created by an unfulfilled need. Tension is reduced through behaviour that individuals anticipate will fulfill their needs. The specific behaviour employed is the result of individual thinking and learning processes (Costanzo, Keasey and Short, 2003: 272).

Clancy and Krieg (2004: 26) are of the opinion that motivation may be either positive or negative in nature. Positive motivation is characterised by a driving force towards an object; while a negative motivation is a driving force away from an object. Motives may also be rational or emotional. Rational motives are motives that are carefully considered. Attention is given to objective criteria and selection is made in forms of the greatest utility. Emotional motives involve selection of motives and goals in relation to personal or subjective goals (Griffen and Lowenstein, 2001: 75).

Motives driving human nature are constantly changing and are therefore said to be dynamic. This constant change may be brought about due to needs never being fully satisfied. Koegel (2007: 26) believes that the satisfaction of one need may result in the creation of an entirely new motive and need. The success or failure in reaching goals may also result in new motives and goals being developed.

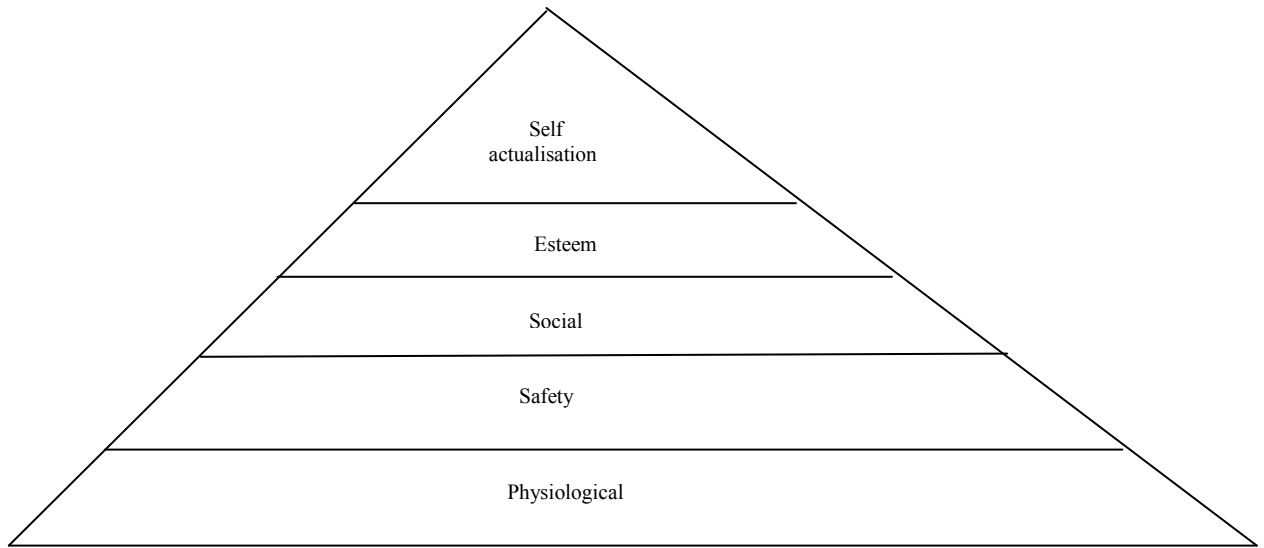
4.3.3 Needs

Closely linked to motives are needs as the third concept of clients as individuals. Murtagh (2007: 11) states that needs may be innate such as the need for food or water. Others may be acquired such as the need for self-esteem or affection. Needs and past experiences are reasoned and transformed into attitudes and beliefs that are pre-dispositions to behaviour, which in turn impacts on the satisfaction of clients with the level of service delivery (Cheales, 2000: 7).

Numerous 'needs' theories, such as Hertzburg and Maslow, exist. While there are various opinions in relation to the higher order (psychogenic) needs, academics (such as Sheth, Mittal, Hawkins, Best and Coney) agree on the physiological needs. It is the opinion of the researcher that Maslow's Hierarchy of Needs, where the satisfaction of one lower level need leads to attempts to fulfill higher needs, is the most suitable need/motivation theory in relation to the test subjects (in other words the bank client). Commercial banks are often utilised during various stages of clients' life cycle. Emphasis is often placed on the obtaining of certain physical objects as the culmination of needs. To illustrate the purchasing of a larger residential property may depict the move towards a higher need due to the satisfaction of a lower order need. In other words, initially clients would purchase a small abode (for example a flat), as they could not afford a residential house.

As the client becomes more affluent, they can afford a larger property often depicting a higher status. Thus they purchase a larger residential property through the assistance of a residential loan from a commercial bank. Accordingly clients have moved from satisfying the lower order need of security and moved to the higher order need of status (Sheth and Mittal, 2004: 163).

Maslow's Hierarchy advocates that once physiological needs (for example food) are satisfied, individuals strive to fulfil and satisfy security needs. According to Heslop (2005: 193 to 199) satisfaction thereof leads to the higher order social needs followed by ego needs and finally self-actualisation needs. Maslow depicted this theory via a pyramid of needs as illustrated below.

Figure 4.1: Maslow's Hierarchy of Needs

Adapted from: Harrell, 2002: 205

Physiological needs form the base of the pyramid. These needs are essential to survival. They include food, clear air, water, clothing and shelter. Safety needs are on the next level and include basic security and freedom from fear and abuse. This is the seeking of physical safety as well as stability; therefore these needs are both biological and psychological in nature. Social needs constitute the third level of the pyramid. According to Hawkins, Best and Coney (2004: 356) it includes the need for love, belonging, affiliation and acceptance. Family and friends are instrumental in fulfilling this need. Esteem needs represent the fourth level of Maslow's Hierarchy of needs. Esteem needs refer to the desire for prestige, superiority, status, self-respect and recognition. Self-actualisation refers to those needs that are of a more personal nature. Hereby clients are motivated by a desire to develop themselves and their abilities. It is therefore the desire for self-fulfillment, to become all that one is capable of becoming (Hawkins, Best and Coney, 2004: 356).

It is the opinion of the researcher that this specific hierarchy of needs is utilised by commercial banks. The fulfillment of needs and the drive towards alternative

needs is often exploited by banks, as the main reason for the services of the bank.

4.3.4 Personality

Neal, Quester and Hawkins (2002: 237) define personality as the inner psychological characteristics that both determine and reflect how an individual responds to the environment. As such they play a predominant role in determining client behaviour as well as differentiating the client as an individual (Hamlin, 2003: 329).

It is important to note that personality reflects individual differences, it is consistent and enduring, as well as being changeable to a degree. Personality traits are useful in differentiating between client innovators and non-innovators. Innovators are regarded as clients who are receptive to new services; they are willing to test new services prior to public acceptance of the service. Non-innovators are more hesitant clients. They prefer to utilise services that have been 'tried and tested'. They are unlikely to use a service that has been newly introduced into the market. Furthermore, cognitive personality factors influence client behaviour. To illustrate, visualisers are people with personality traits that prefer visual effects; they will in turn be more susceptible to advertisements with attractive visuals. Auditory clients may prefer advertisements with attractive audio effects (Johnson and Learned, 2004: 63).

4.3.5 Perceptions

General consensus among academics (Cant, Brink, Brijball, Sheth and Mittal) exists in relation to the definition of perceptions. It is the process by which an individual selects, organises and interprets stimuli into a meaningful and coherent picture of the world. Individuals receive sensations from stimuli and adapt them to a level of intensity of sensory input. Individuals are selective as to the stimuli

recognised. These stimuli are then interpreted subjectively in accordance with needs, expectations and experiences. Perceptions vary from person to person and are therefore an integral part of differentiating the client as an individual. (Lynch, Staelin, 2007: 128 to 141).

The selection of stimuli is dependent upon the individual expectations and motives at the time. Perceptions are experienced as a whole. Individuals thus organise stimuli, which belong together, into a unified whole. Alam (2003: 982) is of the opinion that the interpretation of stimuli is based on previous experience, plausible explanations, motives and interests. Closely linked to perceptions is imagery. Perceptions assist in determining the image of the service in the mind of the client. This refers to the positioning of a service in the mind of the client as opposed to services offered by competitors. Positioning may either be positive or negative (Cant, Brink and Brijball, 2002: 99).

4.3.6 Perceived risk

According to (Griffen and Lowenstein, 2001: 24) clients perceive risk in highly individual ways, what may be perceived, as a risk by one individual may not necessarily pose a risk to another individual. Client behaviour therefore involves the decision as to whether to buy the service or to use an alternative. As the outcome of these decisions is uncertain a small element of risk is involved in the purchasing decision. Risk may relate to functional, physical, social, psychological or time aspects.

It is important to note that the amount of risk perceived varies among individuals. Certain individuals who perceive high risk will limit their choices to a few alternatives. Individuals who perceive risk as low will make choices from a wider range of alternatives (Dailey, 2003: 146 to 147).

In order to minimise risk clients may seek additional information about the service. Clients may also become more brand loyal as well as making decisions based on brand and service provider image. Should clients be uncertain as to the wisdom of a purchase, they may seek reassurance in the form of free trials or money back guarantees (Neal, Quester and Hawkins, 2002: 107; Genn, 2007: 33).

Once the personality aspects of the client have been determined it is necessary to analyse clients learning process and involvement in the purchase. Through learning and involvement the client will ultimately decide whether to use the service, when to use the service and how to use the service. Lynch and Staelin (2007: 132) believe that these aspects may also contribute towards determining the client's standards and expectations, which have a direct influence on client satisfaction with service delivery.

4.4 CONSUMER INVOLVEMENT IN PURCHASING

The method of learning and the client's level of involvement in the purchase may affect client behaviour. The manner in which clients learn is of importance to marketers as most marketing strategies are based on communication. It is imperative that the communications from the business be remembered and recalled. Cant, Brink and Brijball (2002: 106) are of the opinion that understanding of the learning process will help facilitate the recollection of communication. If clients feel that the purchase is not of importance, their level of involvement will be low, they may therefore select a service based on convenience of price rather than quality or benefits derived (Palmatier, Scheer, and Steenkamp, 2007: 190).

4.4.1 Learning

Client learning may be defined as the process by which individuals acquire the purchase and consumption knowledge and experience that they apply to future related behaviour. In the opinion of Ho, Lim and Camerer (2006: 307) learning is a continuous process in that it evolves as clients acquire knowledge or experience. Learning determines how clients behave within certain purchase situations (Cheales, 2000: 30).

Learning includes aspects such as motivation, cues, response and reinforcement. Motivation is linked to the degree of client involvement. Cues are the stimuli that give direction to the motives. Response refers to how individuals react to the cues. According to Heath, Brandt and Nairn (2006: 410) reinforcements indicate that a specific response will occur again in the future. Learning involves client thinking and problem solving and is therefore a cognitive process.

4.4.2 Loyalty

Client loyalty is an important aspect of client behaviour. Loyalty is often derived as a result of client satisfaction. Clients have therefore utilised the service and been satisfied therewith. Accordingly, future purchases and behaviour with the business will reflect this experienced satisfaction. Wood and Moreau (2006: 44) are of the opinion that loyalty may also limit the amount of involvement in the decision as well as information searches at the client elects to utilise the services of a business with which they have already experience a high level of service delivery.

A predominant goal among marketers is the encouragement of brand loyalty. Clients that are brand loyal provide a stable, as well as a potential market for growth. Sheth and Mittal (2004: 404) define brand loyalty as the relationship

between a client's relative attitude toward a service and the clients repeat purchasing behaviour. Client's relative attitudes consist of two areas. The first area is the strength of the attitude, while the second refers to the degree to which clients differentiate the service to that of its competitors.

Hereby a client with a high relative attitude as well as a high level of repeat purchasing may be classified as a loyal customer. Clients with low relative attitudes and high repeat purchases would be classified as spuriously loyal. Spuriously loyal clients refers to those clients who perceive little differentiation among competing services, but purchases the service due to situational convenience. In other words these clients see very few differences among the service offerings of alternate service providers, but repeatedly select one specific service due to its convenience. To illustrate, a client may select to use the services of one commercial bank as it is situated close to the client, rather than based on a satisfaction with the services offered by the commercial bank (Johnson and Learned, 2004: 79).

According to Berman (2006: 139) brand loyalty may be developed through two possible theories. The first or behaviour theory propogates that loyalty is the result of initial product trial that is re-inforced through satisfaction – thus creating repeat purchases. Cognitive theory advocates that through extensive problem solving and service comparisons clients develop a strong brand preference and continue repeat purchasing the service (Harrell, 2002; 280).

However, in recent years a trend of brand switching has developed, possibly due to the extended freedom of choice that clients have within South Africa. Hereby clients move among various brands rather than remain loyal to one brand. Griffen and Lowenstein (2001: 91) believe that dissatisfaction; boredom and constant availability of alternate brands have been cited as the main contributors towards this trend. It is therefore possible for commercial bank clients to switch from the services offered by one commercial bank to the services offered by

another should the client be dissatisfied with the services offered by the initial commercial bank (Peltier, Schibrowsky, Schultz and Zahay, 2006: 152).

4.5 CONSUMER ATTITUDES

Neal, Quester and Hawkins (2002: 262) define attitudes as the enduring organisation of motivational, emotional, perceptual and cognitive processes with respect to an aspect of the environment. Therefore attitudes are expressions of inner feelings that reflect whether clients are favourably or unfavourably disposed towards a service. It is a learned predisposition to behave in a consistently favourable or unfavourable way with respect to a given service. Client attitudes towards the service provider or service may influence their consumption behaviour (Hultman and Shaw, 2003: 36).

Again there is consensus among academics (Griffen, Lowenstein, Sheth and Mittal) as to the definition of attitudes. Cant, Brink and Brijball (2002: 134) provide a definition of attitudes that is very similar in nature to that of the one provided above. They emphasise that attitudes relevant to purchase/client behaviour are formed as a result of direct exposure with the service, mass media and direct marketing. They reflect either a favourable or unfavourable evaluation of a service. Learned attitudes have a motivational quality, either to direct a client towards the service or away from the service (Piercy and Lane, 2005: 255).

While attitudes are relatively consistent they do change. As attitudes are affected by the situation, a specific situation may cause clients to behave inconsistently with their attitudes (Lynch and Staelin, 2007: 132).

Attitudes may be learnt through various methods of conditioning. The first conditioning is referred to as Classical conditioning. Hereby services associated

with a favourable brand name are purchased. Instrumental conditioning occurs when attitudes follow the purchase and consumption of a service. A client may purchase a product without having a prior attitude, if the service proves satisfactory a favourable attitude toward the service is developed. Attitudes may be learnt through the active seeking of information in order to solve a problem. This method is referred to as cognitive conditioning (Johnson and Learned, 2004: 63).

4.5.1 Sources of influence on attitudes

Personal experiences, family/friends influence and mass media influence formation of attitudes. Direct experience is the primary means by which attitudes towards services are formed. Cheales (2000: 86) believes that attitude is determined via the client's direct experience in trying and evaluating the service. Interaction with family, close friends or admired individuals assist in forming attitudes as these groups provide the basic values and a wide range of central beliefs (Peltier, Schibrowsky, Shultz and Zahay, 2006: 159).

Marketers specifically cater their marketing strategies to indicate the business understands client's special needs and desires. Hereby they further re-inforce client attitudes. It is also important to note that client personality plays an important role in attitude formation. Cognitive clients will favour advertisements rich in service related information, while clients with a low need for cognition will form positive attitudes towards advertisements depicting a well-known celebrity for instance (Johnson and Learned, 2004: 75).

4.5.2 Attitude change

Influencing client attitudes is a key strategy for marketers of banking services. Marketers may influence attitudes of clients by changing the basic motivational function, resolving conflicting attitudes associating the service with an admired

group and/or changing client beliefs about competitors brands. According to Gitomer and Jeffrey (2004: 28) in relation to banking services this may occur when advertisements for a commercial bank's services are depicted as being used by a sporting hero. These aspects and how they may change attitudes are discussed in subsequent paragraphs.

It is possible for the basic motivational function of the service to be changed. New needs and uses for the service may be identified and communicated to clients. Barnes, Fox and Morris (2004: 598) believe that marketers may also aim to reassure clients of their self-concept. A new use of a service, which may be more beneficial to the client than the initial use, may result in an attitude that was initially negatively inclined towards the service becoming more favourable. It is therefore the opinion of the researcher, that should a service be delivered that is of benefit to the individual client, a negative attitude may be influenced through marketing into a positive one as a result of the benefits delivered to the client.

Attitudes are related in part to certain groups or events, the commercial bank may therefore decide to associate the service with an admired group, such as sporting heroes. Therefore it is advocated that it is possible to influence attitudes towards services by emphasising the relationship of the service to an admired group (Harrell, 2002: 210; Wilson, 2006; 40).

Arnett and Badrinarayanan (2005: 330) are of the opinion that it is possible to influence a client's attitude through the resolving of two conflicting attitudes. A client may be made to see that their attitude toward one brand may be in conflict with another attitude. They may be persuaded to change their attitude. To illustrate a client may enjoy cheese but feels that it contains too much fat, therefore never purchases cheese. Cant, Brink and Brijball (2002: 142) believe that the client may change the negative attitude to cheese if a low-fat cheese were introduced. With reference to the banking industry the above may occur when a client has a negative perception about a specific commercial bank,

however that commercial bank begins to deliver a service that would satisfy the client's needs better than the services offered by alternative commercial banks. The client may therefore begin to form a more positive attitude towards that commercial bank, due to the new service that was offered.

A further approach is to influence client's attitudes about the attributes of competitors' services. As seen it is therefore possible to not only create client attitudes, but to influence existing attitudes into more positive perceptions (Griffen and Lowenstein, 2004: 147).

Cant, Brink and Brijball (2002: 87) propagate that it is not possible to alter attitudes, rather it is only possible to positively influence an attitude. However, the researcher disagrees with this theory. Client attitudes and opinions toward services and service providers frequently change. As a result brand switching has developed. Clients and their needs are dynamic and attitudes may change to the positive or negative end of the spectrum. To illustrate younger generation's attitudes towards life/funeral insurance is negative with avoidance and disregard being the main form of client behaviour. However, for more mature generation's life/funeral insurance becomes essential, with much involvement and learning forming part of the purchase decision. This illustrates a change in attitude as the client develops (Fitzgibbon and White, 2005; 220).

4.6 SOCIAL AND CULTURAL DIMENSIONS

It is impossible to assume that client behaviour and decisions occur in isolation from extraneous influences. Aspects such as groups, family and social classes play an important role in determining client behaviour. Therefore groups, family and cultural norms may influence the services that a client may elect to use, as well as the manner in which they utilise the service. Often group and cultural norms and standards are utilised as the basis for the evaluation of service

delivery by the client. Most individuals interact with other people on a daily basis (Cant, Brink and Brijball, 2002: 66; Murtagh, 2007; 11).

4.6.1 Groups

Different forms of social groups may influence and determine client behaviour, development of wants and attitudes towards services. Groups are defined as two or more clients who interact to accomplish either individual or mutual goals. Arnould, Price and Zinkhan (2004: 540) refer to four groups that have specific relevance in relation to individual roles as clients; these groups are discussed below. The researcher believes that these four groups may be combined into two groups namely, reference and informal groups, which are discussed on pages 144 to 146.

Family as a group dimension. Often family are the most influential in the determination of consumption decisions. Family's importance is naturally determined on the frequency of contact. Clients often use family as reference for all their actions. In relation to the commercial banking industry, it is possible for a young adult to decide to use a specific commercial bank as both parents utilised the services of the same bank. Friendship groups also form part of the group dimension. These groups are typically unstructured and lack authority. Opinions and preferences of friends are influences in the determination of the service selected (Johnson and Learned, 2004: 78).

Formal social groups are also an element of the group dimension. These groups are removed, in that they are external from the client's immediate family and friends support base, and individuals join formal social groups in order to achieve specific goals such as career advancement. Shopping groups occur when two or more people shop together. The motivation for shopping groups is often to help reduce risk when making important decisions (Hawkins, Best and Coney, 2004: 225).

In the researcher's opinion it is possible to combine these subgroups into two main categories namely Reference groups (comprising of the formal social group) and Informal groups (combination of family, friends and shopping subgroups). These two main categories will be discussed further.

4.6.1.1 Reference groups

These groups serve as a point of comparison for a client when forming specific behaviour. Client reference groups serve as frames of reference for individuals in purchase decisions. Normative reference groups influence general values and behaviours. According to Escaqlas and Bettman (2005: 380) a normative reference may mold general client values and behaviour within the work place for instance. To illustrate it would determine the appropriate ways to dress for specific occasions, appropriate places to shop and the evaluation of value for money. With reference to the banking industry normative reference groups may indicate that certain commercial banks depict a higher class of clientele, while others cater for the lower income groups. Normative reference groups influence the development of the basic code of behaviour. Comparative reference groups influence specific behaviours. A comparative reference group may be a neighbouring family whose lifestyle appears to be admirable and worthy of imitation. Both normative and comparative reference groups are of importance (Harrell, 2002: 218).

Reference groups are classified in relation to a client's membership and the positive or negative influences they exert. According to Sheth and Mittal (2004: 65) often the credibility, attractiveness and power that a reference group yields determine the degree of influence that it possesses.

4.6.1.2 *Informal groups*

Families form the greatest component of the informal group. Due to the diversification of contemporary families it is difficult to define the concept of family. Traditionally a family is defined as two or more persons who are related by blood, adoption or reside together. The family is a major influence on consumption behaviour of its members. While the family as a whole is the basic decision-making unit, often one member is the dominant decision-maker (Kwak, Zinkhan, Delorme and Larsen, 2006: 65).

According to Cant, Brink and Brijball (2002: 192) the members of a family assume specific roles and tasks within client behaviour. These roles consequently affect the specific purchasing behaviour of these individuals. Marketers then adapt their marketing strategies according to the individuals targeted and their specific roles in consumption. To illustrate traditionally mothers make the decisions relating to food, nutrition and the welfare of the family. Therefore services targeted at this group will aim to improve the health and welfare of the family. In relation to the commercial banking industry in the past it was generally accepted that the male in the family (often the father) would be the financial manager within the family. Therefore, commercial banking service advertisements were directed towards men.

4.6.2. Social class

Social class, as an aspect of the social and cultural dimension, influences client purchase decisions and behaviour as it determines a frame of reference with relation to needs, wants and standard purchase behaviour. Puntoni, Stefano, Tavassoli and Nader (2005: 280 to 282) define social class may be defined as the division of members of a society into a hierarchy of distinct social classes, so that each member within a specific class has relatively the same status as other

members within that class, other classes either have more or less status. This division exists in all societies and cultures.

More simply social class is the amount of status that members of a specific class possess in relation to other classes. This membership often serves as a reference for the development of client behaviour. Each social class has differences in preferences as opposed to other classes with respect to aspects such as clothing, leisure, saving and credit habits. Therefore it is necessary to tailor specific promotional strategies to each separate class (Hawkins, Best and Coney, 2004: 132).

4.6.3 Culture

Hawkins, Best and Coney (2004: 42 to 44) define culture as a complex whole that includes knowledge, belief, art, law, morals, customs acquired by humans as members of society. It includes almost anything that influences an individual's thought processes and behaviours. It operates by setting boundaries for individual behaviour, which are referred to as norms and is derived from cultural values. These values are widely held beliefs that affirm what is desirable. Culture as an element of the social and cultural dimension influence client behaviour. Cultures may influence both how clients purchase as well as what is acceptable to purchase. As such client behaviour is often dictated by the cultural regulations to which the individual subscribes. These values in turn influence client behaviour. There exist three general categories of cultural values namely, environment-orientated values, self-orientated values and other-orientated values.

Environment-orientated values prescribe a society's relationship to its economic, technical and physical environment. Self-orientated values reflect the objectives and approaches to life that the individual members of society find desirable. These have strong implications on marketing. To illustrate the use of credit is

determined by society's views on the value of postponement versus immediate gratification. Other-orientated cultural values reflect a society's view of the appropriate relationship between individuals and groups within society. These relationships have a major influence on marketing practice. Society's that advocate collective activity will not respond favourably to advertisements emphasising individualism (Sheth and Mittal, 2004: 84).

4.7 COMMUNICATION AND PERSAUSION

Marketers use communication as a unique tool to persuade clients to act in a desired way. It may be verbal, visual or a combination of the two. Hereby communication can evoke emotion to put clients into a more positive frame of mind. According to Graham (2007: 17) communication is therefore utilised by marketers to persuade clients to behave in a certain manner. In other words it is used to persuade clients to be positively inclined to the service and as such purchase it (Cheales, 2000: 43).

4.7.1 Components of communication

Heath, Brandt and Nairn (2006: 416) indicate that communication is comprised of certain components, namely the sender, medium, message, feedback and receiver. The sender is the initiator of the communication. The receiver is the target prospect. Medium refers to the communication channel. Message indicates the information to be conveyed while feedback indicates that the sender has understood the message in the required way. However, throughout the process aspects referred to as noise may affect the communication process. Noise factors may be external factors that affect the message, the effectiveness of the medium or the interpretation of the message by the receiver (Harrell, 2002: 430 to 431).

4.7.2 Communication process

According to Arnould, Price and Zinkhan (2004: 604) the sender encodes the message via symbols, pictures, words or images. This message is then sent through channels such as mass media (newspapers, magazines, radio and television to name a few examples) to the receiver. The message usually contains the service information, which the commercial bank wishes to convey to the target clients. The target receiver receives the message and decodes it according to involvement, mood, experience and personal characteristics. The receiver may either respond appropriately or the receiver may miscomprehend and respond incorrectly.

Marketers aim to create persuasive communication. Hereby they first establish the objectives of the communication, select the appropriate audience, media and message. In the opinion of Lueg and Finney (2007: 26) the primary objectives of the communication and client research, may vary from the creating of awareness of a service to the reducing of post-purchase dissonance. Through the use of a client profile marketers will develop the best media strategy and message with which to target the audience (Kwak, Zinkhan, Delorme and Larsen (2006: 60).

It is in the researcher's opinion that through a thorough understanding of client behaviour and motives, marketers will be able to develop a communication strategy that is congruent with the client's motives. This strategy will have a higher success rate in terms of persuasion and the formation of favourable attitudes by the clients towards the service.

4.8 DECISION-MAKING

In its most basic form client behaviour is the selection between two or more alternatives. However, not all consumption requires the same level of decision-

making. Certain consumption choices require a high level of involvement with extensive internal and external information searches. According to Tom, Nelson, Srzentica and King (2007: 118) other decisions consist of a low level of involvement and therefore lower levels of information searches are conducted. It is necessary to briefly examine this component of client behaviour as the decision making process ultimately determines whether the client will utilise the services offered by the commercial bank. It also determines whether the client perceived a high or low level of service delivery.

According to Arnould, Price and Zinkham (2004: 650 to 652) in terms of choices regarding a high level of involvement, alternatives are evaluated and a selection is made. On the other end of the spectrum are those purchases, which require minimal involvement. These are usually routine decisions and therefore information searches are limited. It is the researcher's opinion that no matter the level of involvement the client's decision to purchase a service is a complicated process. This decision will ultimately determine whether a marketing strategy was effective. In its most simple form, the decision making process may be divided into three parts namely, input, process and output.

Inputs are external factors that serve as sources of information. This includes the business's marketing efforts as well as family, groups and social classes. Process is concerned with how the decisions are made. Initially clients become aware of a need that is currently unsatisfied. Clients then search for information on how to solve this need. According to Ho, Lim and Camerer (2006: 320) once the information has been gathered alternatives to satisfy the need are generated. Each of these alternatives are evaluated in accordance with an individualised set of criteria. These criteria are often adjusted in accordance with the specific service being considered. Once each alternative has been evaluated, one specific service is selected that best meets the criteria (Cant, Brink and Brijball, 2002: 174).

Outputs refer to two specific activities namely purchase behaviour and post-purchase evaluation. Clients make three types of purchases: trial, repeat and long-term. In the opinion of Cameron, Carnish and Nelson (2006: 66) trial purchases occur when a service is purchased for the first time in small quantities. Repeat purchases occur when the client uses the service repeatedly. Long-term trial refers to the repeated use of a service by a client for an extended period – usually years. For instance using the same commercial bank for the duration of the client's lifetime (Cheales, 2000: 37).

Post purchase evaluation is performed once the client has experienced the service. Clients determine whether the actual performance matched expectations or whether the performance exceeded the expectations (Wood and Moreau, 2006: 51).

4.9 SEGMENTATION

The total population of clients available to the business creates a market of numerous heterogeneous behaviours, wants and needs, which means that it is inherently impossible for the business to target and provide services that cater for each unique behaviour want or need. Therefore it is necessary for the service provider to attempt to segment or group clients with similar consumer behaviour. Once this has been achieved the service provider may attempt to target the specific groups of clients that display homogenous consumer behaviour that is concurrent with the service offering provided. It has become apparent that the market for the services offered by commercial banks is composed of many different people, with different interest, needs, wants and behaviour. It is therefore advantageous for banks to segment the market in order to direct specific services to those groups who share similar wants, needs and behaviours. Finto (2007: 19) is of the opinion that hereby a clear understanding of client behaviour within the individual segments will be cultivated, which will

lead to more efficient relationship marketing strategies and may ultimately improve the profitability of the business.

In the opinion of Johnson and Learned (2004: 27) segmentation therefore creates smaller markets for businesses to analyse. It therefore facilitates the determination of client behaviour. Commercial banking services are often comprised of a wide range of choices designed to meet diverse client interests. This diversity makes market segmentation an attractive, viable and potentially profitable strategy.

Market segmentation may be defined as the division of the market into subsets of clients with similar needs and characteristics (Cheales, 2000: 11). Hereby the business may use segmentation to develop specific strategies for clients that will best satisfy that particular group's needs (Vazquez and Alvarez 2007: 121 to 133).

4.9.1 Segmentation criteria

In order for market segmentation to be effective as well as profitable there are certain criteria that must be fulfilled prior to a segment being considered as viable.

Segments must be measurable. The buying power and potential profit of the segment must be clearly and easily measurable. If this is not possible, the ability to compare segments is severely limited. The segment should be large enough to be measured. The targeting of a too small market segment will not prove profitable for the business. A segment must be the largest homogeneous group of clients in order to be viable. It is advocated by Escalas and Bettman (2005: 380) that marketers must be able to reach/access the market segment with the service and marketing strategy. It must be possible to develop separate market offerings for different market segments. Segments should be differentiable.

Different market segments must be heterogeneous from other segments. In other words clients in different segments must have different needs for those in other segments (Cant, Brink and Brijball, 2002: 16 and 17).

4.9.2 Effects of segmentation

Market segmentation has both benefits and cost to the business. It also has effects on client behaviour. Segmentation allows marketers to focus more on client needs. Marketers may more fully appreciate the differences in client needs and behaviour and thus react accordingly. According to Sheth and Mittal (2004: 102) market segmentation assists in identifying new marketing opportunities in terms of unexplored segments. It provides guidelines for the development of separate market offerings and strategies for the different segment's behaviour and needs; and segmentation helps guide the proper allocation of resources.

Disadvantages may be discussed as follows. The development of separate marketing strategies for each of the different segments is both time consuming and expensive. Only limited market coverage is achieved, as often the largest segment is selected and the smaller more numerous segments are left untargeted. Excessive differentiation of the basic service may eventually lead to one service taking away market share from another service from the same enterprise (Arnould, Price and Zinkham, 2004: 188).

4.9.3 Segmentation basis

It is necessary for the business to determine on what criteria/basis they will segment the market. According to Cant, Brink and Brijball (2002: 161) traditionally five main categories exist. These categories are geographic, demographic, psychological, use-related and hybrid (combination segmentation categories). The business may segment the market according to any of these categories. Each of these categories represents an aspect of the client as an

individual and may thus influence client behaviour (Kwak, Zinkhan, Delorme and Larsen, 2006: 61). These groups are discussed in the following paragraphs.

Geographic segmentation is the first basis for segmentation. The market is divided according to geographical location, such as provinces. Geographic segmentation is often used in conjunction with other forms of segmentation. According to Andronikradis and Dimitriadis (2003: 629) demographic segmentation forms the second basis of segmentation. Aspects such as age, gender, marital status, family life cycle, income, occupation and education are utilised to segment the market. Demographic characteristics are often closely linked to client's products needs and buying behaviour as well as being easily measurable.

The third possible basis of segmentation is psychological segmentation. It concerns the dividing of the market in terms of attributes such as social class, lifestyle and personalities. It is the analysis of clients on the basis of activities, interest and opinions. Use related segmentation is the fourth potential basis of segmentation. Cameron, Cornish and Nelson (2006: 260) explain that it concerns the dividing of clients according to light, medium and heavy users of a service. The fifth basis of segmentation is Hybrid segmentation. Hybrid segmentation refers to the segmentation of a market through the use of one or more of the above-mentioned basis (Harrell, 2002: 181).

4.10 CONSUMER DISSATISFACTION

The ultimate goal of client behaviour is to derive satisfaction from the purchase of a service to satisfy specific needs. It is therefore necessary to examine satisfaction and dissatisfaction as an element of client behaviour. Satisfaction or dissatisfaction may also result in specific behaviour by the client towards a new or alternative goal. Arnould, Price and Zinkhan (2004: 755) define satisfaction

as a judgement of a pleasurable level of consumption-related fulfillment. Clients make judgements about their satisfaction levels based on a variety of service aspects. Dissatisfaction is defined as an unpleasant level of consumption-related fulfillment (Patterson, 2003: 14).

Satisfaction is imperative to business performance. Failures result in the business losing clients and thus profitability. Satisfaction involves emotive and cognitive appraisals. In the opinion of Ackerman (2007: 7) it shifts as client life cycles change. Client satisfaction plays a major role in the marketing strategy. Together with loyalty they serve as key variables in determining business success, especially in conjunction with the implementation of strategies such as relationship marketing (Griffen and Lowenstein, 2001: 101).

4.10.1 Determinants of dissatisfaction

Performance expectations and actual performance are the major factors in the evaluation process. Often clients' switch to an alternative service provider as a result of perceived problems with a current service provider (Wangenheim and Bayon, 2004: 211). The causes of dissatisfaction are now discussed.

Mistakes, invoice errors and service failures are classified as core service failures and are the first cause of dissatisfaction. The second cause of dissatisfaction is referred to as service encounter failures. These occur when service employees are uncaring, impolite, unresponsive and unknowledgeable. Pricing is the third known cause of dissatisfaction. High prices, price increases and deceptive pricing strategies may also contribute to dissatisfaction. Inconvenience in terms of location, hours of operation and waiting times for service delivery is identified as the fourth dissatisfaction contributor. Business responses to services failures may also contribute towards dissatisfaction. Reluctance or failure to respond by the business as well as negative responses may also result in clients being dissatisfied. It is also the fifth possible cause of

dissatisfaction. Attraction by competitors is the sixth potential cause of dissatisfaction. Hereby competitors appear more personable, reliable and often a better value for money and quality. The seventh possible cause of dissatisfaction is ethical problems. Ethical problems occur in relation to dishonest behaviour by the business or intimidation and conflict of interest (Hawkins, Best and Coney, 2004: 636).

4.10.2 Dissatisfaction responses

Clients may take one of two broad actions against dissatisfaction. Firstly, the client may decide to take no action. Hereby they decide to live with the unsatisfactory service.

Secondly, the client may decide to take action. Five actions are available for the client to take when dissatisfied. Clients may decide to complain to commercial bank manager or stop using the service at that specific service provider. Behaviour may involve the warning of a friend or complaining to a government agency. The final form of action may be the initiating of legal actions. In the financial service industry clients often complain to the specific branch manager and failing that; switch to an alternative commercial bank (Sheth and Mittal, 2004: 302).

4.11 CONCLUSION

Client behaviour is the study of how people buy, what they buy, when they buy and why they buy. It is a subcategory of marketing that blends elements from psychology and sociology. It attempts to understand the buyer decision-making process, both individually and in groups. It also studies characteristics of individual clients such as demographics, psychographics and behavioural variables in order to understand clients wants, needs and preferences. It also

attempts to assess influences on the client from groups such as family, friends, reference groups and society. The fact that clients behave differently based on different stimuli, necessitates commercial banks to provide various forms of financial services to clients.

The following chapter will identify the various forms of financial services available for non-commercial clients that banks offer in an attempt to target specific clients within specific segments.

CHAPTER 5

COMMERCIAL BANKING INDUSTRY

5.1 INTRODUCTION

Commercial banks make an important contribution towards the South African economy. They are a source of credit for millions of individuals, families, government units and businesses. Commercial banks may contribute to the economy in the form of providing short-term working capital for businesses, provision of long-term capital for asset purchases, to the buying of government bonds to help finance public facilities. However, for the purpose of this study emphasis is placed on the services offered by commercial banks to private individuals rather than commercial industries. Services offered to private individuals encompass a wide range of services that may differ from single transactions to in-depth portfolio management. These services are also accessible to a broader population than those offered to businesses are; therefore a more representative population is obtainable. This decision is due to the fact that these main commercial banks are familiar to a broad spectrum of clients as well as being under the regulation of the Usury Act. To further understand commercial banks and the origins of the services they provide it is necessary to briefly analyse the concept of commercial banks, banking and the services offered (Mittner, 2007: 13).

5.2 CLARIFYING THE TERM COMMERCIAL BANK

Kruger (2006: 14 to 16) advocates that the South African industry is dominated by four main commercial banks, namely First National bank, ABSA, Standard Bank and Nedbank. Due to the fact that the South African banking industry is monopolised by four main commercial banks the services and theories relating to

this industry are primarily uniform, with general consensus existing among academics such as Rose (2002: 8) and Needham (2007: 10) as to the functioning of the industry. To better understand commercial banks the concept of a bank will now be clarified.

5.2.1 Definition of a commercial bank

Financial institutions may be divided into two broad categories namely non-bank institutions and banks. Non-bank institutions are depository institutions offering cheque accounts or commercial loans, but not both. In other words they offer limited financial services. South African examples would include Micro-Cash Lenders (loans) and services such as Go Banking (Pick 'n Pay and Nedbank cheque account initiative). Outsurance (Division of First National Bank) has also moved towards becoming a non-bank institution (Needham, 2007: 15).

According to Rose (2002: 4) a commercial bank may be defined as a financial intermediary accepting deposits and granting loans. Commercial Banks offer the widest variety of services as opposed to any other form of financial institution, as such this study will focus on the four main commercial banks operating within the South African commercial banking industry. In addition these four commercial banks possess the greatest market share within the South African banking industry. Rose (2002: 4) explains that in recent years commercial banks have experienced increased competition from non-bank institutions. Non-bank institutions have attempted to ensure that the services they offer are similar to those offered by commercial banks. Banks in return have diversified into areas such as real estate and the Forex market in order to offer more consumer driven services and thus better satisfy client needs while remaining competitive. Commercial banks followed this strategy of diversification in an attempt to offer services that smaller non-bank institution offer. In relation to the Forex market, non-bank institutions do not possess the necessary buying power and market share to be able to offer this service to clients.

5.3 COMMERCIAL BANKS AS A BUSINESS

Commercial banks are first and foremost a business attempting to satisfy clients needs in order to obtain a profit. Therefore there are certain aspects that influence the services delivered, their nature as well as the quality of service delivery. A few of these aspects will be discussed in subsequent sections.

5.3.1 Role of commercial banks in the economy

Many assume that banks play a limited role within in the economy – that of taking deposits and making loans. Smith (2003: 1220) maintains that today commercial banks have adopted alternate new roles to remain competitive and adherent to the public's needs. Commercial banks principal roles may be discussed in the subsequent paragraphs.

Intermediation roles refer to the transformation of savings from households into credit for businesses. In other words commercial banks utilise the money invested by households as savings to provide loans to businesses. This credit is often utilised to make investments in new buildings and equipment. Payments role concerns the carrying out of payments for goods and services on the behalf of commercial bank clients. These may include issuing and clearing cheques as well as electronic payments. Guarantor role concerns the issuing of letters of credit to assist clients in the paying of debt. Risk management role is the assisting of clients in preparing financially for the potential risk of loss of property or persons. Savings/investment role indicates the aiding clients in fulfilling long-term goals by building, managing and protecting savings. Safekeeping/certification of value role concerns the safeguarding of a client's valuables, as well as appraising and certifying true market value. Agency role refers to the acting on behalf of clients to manage and protect their property or redeeming securities (trust departments). Policy role depicts the serving as a

conduit for government policy in attempting to regulate the growth of the economy and pursue social goals (Sardis and Mendlowitz, 2007: 51 to 55).

5.3.2 Trends affecting commercial banks

Commercial banks are diversifying services, to better meet clients needs. In the researcher's opinion, diversification of services is not the only trend being experienced by commercial banks in order to better satisfy client's requirements. The following indicate a few trends evident in the environment that may influence the services offered as well as the manner in which they are delivered.

Stovin-Bradford (2007: 4) identifies the first trend as service proliferation. Commercial banks have been rapidly expanding the menu of main financial services that are offered. This proliferation has accelerated in recent years, primarily due to increased competition from other financial institutions and changes in information technology. However, one of the main contributors towards this expanded service offering is that clients are more knowledgeable and demanding. Clients are now able to do comparative analysis to determine which commercial banks offer the services that they desire as well as the costs involved with the delivery of that specific service. Clients are also more prepared to inform commercial banks of their needs and desires.

The second trend is rising competition. The level and intensity of competition between the commercial banks as well as from other forms of financial institutions has necessitated the expanded service offering. To illustrate, through this competition, savings and retirement plans have been offered by commercial banks. It is likely that through this continued competition more diversified services will be developed (Ayogu and Dezhbakhsh, 2004: 835 to 845).

The third identifiable trend within the South African commercial banking industry is rising costs. In order to remain competitive, in terms of services offered

commercial banks have encountered rising costs. This occurs as the more services offered, the greater the increase in the cost involved for the commercial bank. To try and counteract this, while remaining competitive in terms of costs, commercial banks have attempted to cut operating expenses through the reduction of employees and the replacing of equipment with more modern electronic processes (Stovin-Bradford, 2007: 4).

Van Tonder (2007: 11) identifies increasingly interest-sensitive clients as the fourth trend. Clients have become better educated and more interest sensitive. As a result client deposits may be lured away by competitors offering lower costs and higher interest. As a result commercial banks are attempting to be more competitive in the returns they offers, as well as being more sensitive to changing client preferences.

Technological resolution forms the fifth trend. Commercial banks have increasingly turned towards more electronic and automated networks to replace labour-based systems. Commercial banking is therefore becoming more capital-intensive. The most prominent examples of automation within the South African industry would be ATM's (Automated Teller Machines) and the recent Point-of-Sale (POS) terminals in stores, that replace the paper-based means of paying for goods and services. It is highly unlikely that commercial banking services will become fully automated, as a substantial proportion of clients prefer personalised service from their commercial banks (Morgan, 2007: 42).

Consolidation and geographic expansion is the sixth trend. Efficient use of automation requires high-volume commercial banking. Van Zyl (2007: 7) advocates that commercial banks consequently have had to expand their markets by targeting new and more distant markets. This may result in an increase in the number of branches being opened in more rural areas.

Globalisation of banking is the seventh identifiable trend affecting commercial banks. Today commercial banks are permitted to own and operate subsidiaries in other countries. An example within the South African industry would be the recent acquisition by Barclays of the ABSA group (Mittner, 2007: 12).

Neill (2007: 1) identifies the eighth and final trend affecting commercial banks as the increased risk of failure. Increased competition between commercial banks and non-banks coupled with problem loans and a volatile economy has had definitive effects on the risk of failure of commercial banks. This may be illustrated in a South African context in connection to Saambou Bank, which was liquidated during the 1990's.

5.3.3 Bank organisational structure

Whenever commercial banks add a new financial service, it must be made available to the public through efficient service facilities, commercial bank personnel and equipment through which to sell and deliver the service. The ease of use, convenience and availability of the service all play a role in the determination of the quality of the service delivered. Consequently commercial banks have moved towards having numerous branch offices or automated service units to improve the availability of services offered. The form of organisational structure has an impact on the services offered as well as the quality and level of service delivery (Wischnevsky and Damanpour, 2006: 104).

5.3.3.1 *Unit bank organisation*

Rose (2002: 80) identifies the first form of bank organisation as the unit bank. A unit bank offers services from one office. Usually a small number of services may be offered, for example taking deposits or granting small loans. The number of staff is limited. This form is particularly beneficial in more rural areas where the surrounding economy does not warrant the investment in additional staff or

facilities, or where it is likely that clients will move to close urban areas. This form is utilised by commercial banks in South Africa's more rural areas.

5.3.3.2 *Branch bank organisation*

The second form is branch bank organisation. Branch banking occurs when banks sell their services through multiple branches across the country. In other words the full range of banking services are offered from each branch. Michael and Mambrino (2007: 12 to 14) state that each branch has its own management team with limited authority to make decisions on client applications. Some services and functions will require approval from the Head Office. To illustrate, loans exceeding a certain amount may need to be referred to Head Office for approval as it exceeds the branch manager's approval authority. Consequently, certain services and functions may be highly centralised, while others are decentralised at the individual branches. This form of organisation is utilised by the commercial banks operating in the South African banking industry. In some cases a commercial bank within South Africa may have as many as three separate branches within one city.

Numerous advantages have been associated with this form of bank organisation. The following is a summary of a few main advantages. Proponents of branch banking argue that it results in greater operating efficiency. Increased availability and convenience of services to clients is also cited as an advantage of this form of organisational structure. Each branch of the commercial bank is sufficiently large enough to support a full menu of services in each branch office. It stimulates faster economic growth, as branch banks contribute towards more loans being granted to more clients. It is less dependent on the volume of business from a single industry. Better management occurs as the branch managers have a more direct interaction with clients, on a regular basis and may therefore adapt more readily to changing preferences. This in turn leads to greater business effectiveness (Turner, 2007: 3 to 27).

Dick (2006: 567) specifies that there are numerous disadvantages associated with this form of organisation. The following is a brief summation of the potential disadvantages associated with this form of organisation. Smaller competitors are crowded out, as they cannot afford to have numerous full-service branches and cannot therefore compete in terms of service. It is possible that cost to client may be increased in order to pay for the additional facilities and staff. It is therefore a trade-off in terms of convenience and costs. Opponents of branch banking fear that this form of bank organisation might drain scarce capital away from local communities towards larger cities, thus slowing local economic development. Despite these disadvantages the South African commercial banks prefer to utilise this form of bank organisation as it best satisfies their requirements (Dick 2006: 567 to 592).

5.3.3.3 Bank holding company organisation

Papasolomou and Vrontis (2006: 177 to 195) specify that a bank holding company organisation is a corporation that holds stock in one or more banks. Holding companies do not hold the controlling shares in the banks, only a small minority of the shares. They do not therefore have the power to dictate any of the daily operating practices or decision-making processes. Opponents to bank holding companies cite the elimination of competition, over-charging of the client, indifference of community needs and the taking of excessive risks as the main disadvantages of this form of bank organisation.

Proponents argue that these organisations promote greater efficiency in banking, by increasing banking business size as well as by adding to the competitive rivalry in the industry. They also advocate that it strengthens banks against failure, as well as offering more services, more conveniently than independent banks. As can be seen, bank holding companies are very similar to that of branch banking and therefore share many of the same advantages. The main difference exists in that an external business provides additional funds (in the

form of shares) by which to extend the services and convenience offered to clients. Branch banking requires the funds for additional branches to be obtained from within the commercial bank. To illustrate, in terms of branch banking a commercial bank, such as ABSA, would simply open another branch. With reference to bank holding companies another company for example Vodacom would pay for another branch of a commercial bank to be opened. Therefore another company bears the costs of opening the branch and not the commercial bank. This form of organisation has not yet been implemented within the South African commercial banking industry (Adam and Pravda, 2007: 52).

5.3.3.4 Networking as a type of organisational structure

Kocakülâh and Egler (2006: 45) define networking as a form of bank organisation when commercial banks communicate through electronic systems and facilities to collect and move funds. The most familiar example is 'Saswitch'; whereby clients holding debit/credit cards issued by one commercial bank in the network may utilise the ATM facilities of the other member commercial banks at a fee. Networking by commercial banks plays a critical role in the banking system. They are the key links in the transfer of business payments through the checking system, as well as the primary source of short-term business finance. They influence financial markets dealing with consumer and housing finance, corporate finance and investment, factoring, and leasing. The growth in use of the Internet worldwide and the development of procedures enabling secure transactions online have created the new field of online banking, where customers deal with their banks mainly or entirely through Internet connections. As such services are not restricted by opening hours or location of branches, unlike the traditional banks. Existing banks within the South African commercial banking industry are already moving into this potentially very important area. Since online banking services can be accessed with equal ease almost anywhere in the developed world, this raises the possibility of banking networks operating

without regard to national boundaries, with consequent regulatory problems (Kocakülâh and Egler (2006: 45).

5.3.4 Risk to commercial banks

The degree of risk likely to be borne by the commercial banks may play an imperative role in the determination of the services to be delivered, as well as the quality of service delivered. Often the greater the risk borne by the commercial bank the smaller the variety of services offered to the client. In other words, if the commercial bank considers the client to be a risk then the number of services which they offer the risky client will be minimal. Hereby the risk to the commercial bank will be minimised. It is possible to assume that the initial relationship, which is established with the high-risk client, will grow and develop as the commercial bank's risk assessment of the client diminishes. In other words the commercial bank initially develops a limited relationship with a high-risk client. Once the commercial bank has determined that the high-risk client is indeed viable they will begin to offer a wider variety of services thus expanding and building upon the initial relationship developed. It is therefore necessary to analyse the various forms of risk, as well as the strategies employed to reduce them, as it will influence the services offered to clients. Rose (2002: 165) states that there exist numerous forms of risk that may affect commercial banks services. However, for the purpose of this study the researcher has combined the various risk forms into two broad categories. These two broad categories may be referred to as primary and secondary dependant upon the level of risk involved. These categories will be discussed as follows.

5.3.4.1 *Primary risk*

The primary risk category is comprised of all the forms of risk concerned with the direct services and functions performed by the commercial bank on behalf of the

client. These risks are all therefore inherent to the performing of the commercial bank's functions and services. It is briefly discussed in subsequent paragraphs.

Credit risk concerns the danger of default by a borrower to whom a commercial bank has extended credit. As commercial banks hold little owner's capital relative to the aggregate value of their assets, only a relatively small percentage of total loans need to default to cause a major credit risk for commercial banks (A love affair with credit, 2006: 111 to 112).

Liquidity risk is the risk of having insufficient cash to meet a commercial bank's obligations when due. Commercial banks also need to be concerned with the danger of having insufficient cash and borrowing capacity to meet deposit withdrawals and loan demands. Whitfield (2006: 15) explains that when faced with liquidity risk, a commercial bank may be forced to borrow emergency funds at excessive cost thus reducing earnings.

Market risk is the danger of changing market values of commercial bank assets, liabilities and equity that may bring about a loss. De Klerk (2007: 42) identifies that changes in market interest rates and currency prices, shifting public demands for commercial bank services relative to services offered by non-bank businesses as causes for the value of commercial bank's assets to fluctuate and thus are referred to as factors affecting the market value of the commercial bank's assets.

Interest rate risk is the danger associated with shifting interest rates. Shifting interest rates may adversely affect a commercial bank's net income and the value of its assets in equity, in terms of profits earnable. Movements in interest rates may have potent effect on a commercial bank's margin of revenues, depending on the structure of the institutions assets (Banks: time for a new look, 2003: 21 to 22).

Earning risk concerns the danger that a commercial bank's rate of return on assets, equity or net earnings may fall. Earnings may decline unexpectedly due to factors internal or external to the commercial bank. Kehrer and Nicholas (2004; 42 to 46) feels that as such the commercial bank's net income could be severely reduced thus decreasing profitability, as well as eroding reserves meant for future growth.

Solvency risk refers to the danger that a commercial bank may fail due to negative profitability and erosion of its capital. To illustrate, if the commercial bank experiences an excessive number of bad loans, its capital account, which is designed to absorb such losses, is depleted. In extreme cases such an event may prompt investors to withdraw their investment, thus ultimately causing the commercial bank to declare insolvency. Concern over commercial bank solvency has resulted in commercial banks being pressurised to increase capital – ideally by holding excessive reserves. Consequently banking capital has moved significantly higher relative to industry assets and liabilities (De Fontnouelle, Dejesus-Rueff, Jordan and Rosengren, 2006: 1820).

5.3.4.2 *Secondary risk*

While the various forms of primary risk are of the utmost concern to commercial banks and their shareholders, extraneous forms of risk are also of concern. The researcher has chosen to refer to these external forms of risk as secondary, as they receive consideration, once the primary forms have been addressed. They are discussed in the following paragraphs.

Inflation risk refers to the probability that increasing price levels, for goods and services, will erode the purchasing power of commercial bank earning and the return to shareholders. Currency/exchange rate risk concerns the probability that fluctuations in the market value of foreign currencies will create losses, by altering the market values of its assets. Political risk refers to the probability that

changes in government laws or regulations, foreign or domestic, may adversely affect the commercial bank's earnings, operations and future earnings. Crime/corruption risk refers to the possibility that commercial bank owner's, employees or customers may elect to violate the law and subject the commercial bank to loss from fraud, embezzlement or theft (Pandrea, 2007: 4).

Table 5.1: Summary of the types of risk

Primary risk	Secondary Risk
Credit risk – default by borrower	Inflation risk – increasing price levels erode purchasing power of commercial bank
Liquidity risk – insufficient cash to meet the commercial bank's obligations	Exchange rate risk – fluctuations in market value of currencies cause losses
Market risk – changing market conditions cause a loss for the commercial bank	Political risk – changes in law affect commercial bank's earnings
Interest rate risk – increased rates affects commercial bank's margin of revenue	Crime and corruption risk – employees or customers by violating the law and cause losses for the commercial bank
Earning risk – commercial bank's rate of return may fall	
Solvency risk – commercial bank may fail due to negative profitability	

Adapted from: De Fontnouelle, Dejesus-Rueff, Jordan and Rosengren (2006: 1820).

5.3.4.3 Strategies to reduce risk

Mackenzie (2007: 42 to 43) advocates that in an attempt to minimise both primary and secondary forms of risk, commercial banks attempt to implement effective management styles and policies. Hereby management decisions are co-ordinated across the whole commercial bank to ensure that they do not clash or lead to inconsistencies. This co-ordinated and integrated commercial bank decision-making is referred to as asset-liability management. Hereby the

commercial banks attempt to control a commercial bank's sensitivity to changes in market interest rates in order to limit losses in its net income or equity. The strategies employed to minimise the risk borne by the commercial bank, may have an effect on the services offered to clients as well as the quality of the service delivery. The purpose of this strategy is to take actions that protect the value of its assets (such as client's deposits).

Asset management is a component of this strategy. It concerns the control and composition of a bank's assets in order to provide adequate liquidity. Liability management is the second component and focuses on the control over a bank's liabilities (achieved usually through changes in interest rates), to provide banks with the liquidity to meet other goals. As can be seen from this definition the focus of this strategy is to ensure that there is sufficient liquidity available to meet the bank's goals (Delport, 2007: 6).

5.4 CLASSIFICATION OF BANKING SERVICES

There are many ways to classify banking services. Services may be classified into two main groups. The first group is referred to as initial and later developed services. The second category may be classified according to function.

5.4.1 Initial and recently developed services offered by commercial banks

The concept of banking first emerged in the Middle Ages when banking families and institutions began to provide loans and international transfers of funds on the basis of gold and valuables deposited with them. Many banking functions such as safeguarding funds, lending, guaranteeing loans, and exchanging money can be traced to the early days of recorded history. From these early services commercial banking services evolved and developed in order to meet client's wants and preference in order to deliver quality service. It is therefore necessary

to differentiate between the services initially offered and those that developed later on.

5.4.1.1 Initial services offered by commercial banks

Commercial banks are financial service businesses that produce and sell the professional management of the public's funds. Their success rests on their ability to identify the financial services the public demands, produce those services efficiently and sell them at a competitive price. In order to fulfil the various roles that commercial banks play in the economy, they have developed role specific services that are offered to clients. Many of the services that were first offered when commercial banks were established are still offered today. As a result it is necessary to identify these services briefly as they have a direct impact on the services offered by commercial banks in South Africa today (Coovadia, 2006: 14 to 15).

Currency exchange is one such service. Currency exchange refers to the service offered by commercial banks in which they rate one nation's currency for that of another. This service is of importance as travellers and business survival and comfort may depend on gaining access to the local currency of the country/city through which they are travelling or conducting business in (Rose, 2002: 9).

Discounting commercial notes and making business loans is yet another service offered. Initially commercial notes were discounted by merchants, from clients, into cash. This service has subsequently developed into the granting of business loans for the purchasing of inventory or for construction purposes (Whitfield, 2007: 36). Savings deposits and thrift account pay interest and encourage people to save. It is therefore the granting of interest on funds left with commercial banks for specified periods of time. Safekeeping of valuables and

certificates of value are primarily the responsibility of commercial bank's safety deposit departments. Client's property are kept safely until required by the client.

Offering cheque accounts (demand deposits). A demand deposit is an account used primarily to make payments for the purchase of goods and services. This service has proven to be one of the most important services offered as it has improved the efficacy of the payments process, thus making transactions easier, faster and ultimately safer. Offering trust services refers to the services of managing client's property and investing their funds at a fee. For instance through this service, funds may be set aside for education policies. Often commercial banks also act as trustees for client's Will and Testament, managing deceased client's estates and keeping valuable assets safe (Richardson and Walsh, 2006: 31 to 33).

5.4.1.2 Services recently developed by commercial banks

To better satisfy their role in the economy, as well as to better satisfy client's needs commercial banks began developing and enlarging upon the initial services mentioned above.

i) Granting loans to clients. Prior to the Second World War commercial banks did not actively pursue the granting of loans to families or individuals as they considered the interest earned as too small to be profitable. Post World War conditions advocated the necessity of granting loans to individuals and families. Today client loans (individuals and families) are one of the principal sources of commercial bank funds (Jordan, 2007: 4).

ii) Financial advisory services. Richardson and Walsh (2007: 32) indicate that this concerns helping clients with financial planning for the future. Cash management services help manage clients cash accounts to ensure that clients achieve a higher rate on return. It also ensures that funds are available in a

timeous manner. Linked to the financial advisory service is the selling of insurance policies. Commercial banks actively sell life insurance to clients who receive loans. Hereby guaranteeing loan repayments should the client die or become disable prior to the fulfilment of the loan repayments. Insurance policies are therefore contracts that protect clients by covering the costs of property damage, healthcare and making monetary payments in case of death (Oeschger, 2007: 28).

iii) Closely linked to the above service is the managing of retirement plans. Retirement plans are pension programmes that aid individuals to save money for retirement. Hereby commercial banks invest incoming funds and dispense payments to qualified recipients who have reached retirement or become disabled (Still, 2007: 22).

iv) Offering mutual funds and annuities. As commercial banks traditionally offer very low interest rates on traditional deposit accounts, clients utilise investment products from commercial banks. Through investment products, such as mutual accounts and annuities clients attempt to achieve higher yields on deposits. Annuities are primarily long-term savings plans where the income payments to the annuity holder begin on a designated future date (such as retirement). Mutual funds are professionally managed investments that acquire stocks or bonds that contribute towards the funds goals such as maximising income. Commercial banks are attempting to deliver services that satisfy as many of their client's needs as possible. Van Zyl (2007: 9) specifies that recently the dealing of securities has become one of the main services developed in order to try to reach this objective. Hereby commercial banks buy and sell securities on behalf of their clients.

v) Whitfield (2007: 36) defines business services as the services offered only to businesses to assist in the conducting of daily activities. As this study is focused upon the services delivered to individuals and families, services offered

to commercial or non-personal entities will only be briefly discussed. One of the first services offered to businesses was the making of venture capital loans. Commercial banks have become active in financing the start-up costs of new businesses. Commercial banks also offer merchant banking services. This is the temporary purchase of corporate stock to aid the launching of a new business venture or to support the expansion of an existing business. Therefore the commercial bank becomes a temporary stockholder in the business and bears considerable risk.

5.4.2 Classification of services according to function

As discussed in section 5.2 (page 121) commercial banks offer numerous services to both private individuals as well as to corporate clients. The broad category of services offered as well as the subset/unique services offered will be discussed in the subsequent sections. The researcher has combined the various services offered by commercial banks operating within the South African industry into four main categories namely, personal banking, investment banking, loans and foreign exchange.

5.4.2.1 *Personal banking*

Personal banking is aimed at making the daily transactions of the client more convenient. All the services included within this category are services that are frequently utilised by clients. They are therefore important to the study as they form the basis on which the relationship with the client may be based. Satisfaction with these services may result in the client, when possible, utilising a greater range of services from the commercial bank. In addition, personal banking serves are the first and foremost form of interaction that clients have with the commercial bank. As such they often influence client perceptions of service quality and service delivery. They also may assist the commercial bank in analysing consumer behaviour to better develop and maintain the relationship.

Numerous services exist within this section such as deposits (transaction and non-transaction), telephone banking, cell-phone banking, Internet banking, debit and credit cards. The researcher has elected to form two broad categories of personal banking services namely, deposits and self-service banking. Hereby the services of telephone banking, cell-phone banking, Internet banking, debit and credit cards are combined to form the category of self-service banking (Jekwa, 2006: 64).

5.4.2.1.1 Deposits

Rose (2002: 390) indicated that deposits are imperative for commercial banks as they provide the foundation for commercial bank success. Not only are deposits a service offered to clients, but they provide most of the raw material for commercial bank loans and thus, represent the ultimate source of commercial bank profits and growth, namely interest. Deposits generate cash reserves from which new loans are created. It is essential for the success and growth of the commercial bank that there be sufficient funds for the required loans.

Deposit plans are designed to attract client's funds. Therefore each plan has features designed to closely match household needs for saving money as well as paying for goods and services. There are two broad types of deposit namely transaction and non-transaction.

a) Transaction deposits

Transaction deposits are one of the oldest deposit services offered by commercial banks. Hereby an account is used primarily to make payments for purchases of goods and services. Transaction (demand) deposits services require the commercial bank to honour any withdrawal either in person or via a third party as designated by the account holder. This type of deposit usually also yields a low rate of interest to the client as well (Recent Rollouts, 2007: 42).

The initial form of transaction deposit accounts yielding interest did not permit cheques to be written against them. However, due to changing client needs, commercial banks modified this form of deposit to allow for the service of cheques to be written against them. Nelson, Chan and Gibson (2007: 222 to 236) indicate that closely linked to this form of transaction deposit is the newly created money market deposit account. These accounts are interest bearing. However, the rate of interest may be adjusted frequently to closely represent market interest rates. Interest rates offered are usually very competitive in order to attract client funds. A limitation associated with this form occurs in the restriction on the number of deposits and withdrawals permitted monthly and the costs involved therewith.

The above-mentioned transaction accounts usually require a deposit of a minimum of R10 000. Transaction accounts are meant primarily to assist clients in managing their money, while making it accessible to clients. It is utilised as a fund into which to deposit salaries, as well as to be utilised to pay expenses. They allow for the following transactions: cash, cheque and salary deposits, cash withdrawals, electronic payments, debit and stop orders, transfers between accounts, debit card payments, in the instance of certain commercial banks prepaid air-time. It grants access to ATM's, debit card purchases at merchants, internet-, telephone- and cell-phone banking (Whitfield, 2006: 18).

Sloan (2007: 20) states that transaction accounts are usually designed to accommodate the needs of various target markets. A specific plan/account is designed to meet the homogenous client needs of a specific group, while being different among the various heterogeneous groups. Aspects such as status requirements, age and salary earned are factors that are commonly utilised by commercial banks to segment the market, as well as being used to develop the transaction accounts suitable for the segment.

b) Non-transaction accounts

Non-transaction accounts are commonly referred to as savings deposits or thrift deposits. Such accounts are usually designed to attract funds from clients who wish to set aside money for future expenditure or emergencies. Jordan (2007: 1) maintains that these deposits generally pay significantly higher interest rates than those yielded on transaction accounts. Therefore the primary purpose is to encourage commercial bank clients to save rather than make payments with the account.

Hasenfuss (2007: 44) indicates that often time limits/requirements are placed on these non-transaction deposits as a service to clients. Hereby a fixed maturity date (usually spanning 30, 60, 90 or 180 days) is accompanied with fixed interest rates for the duration of the period. Deposits with time limits are primarily used to encourage savings that have a fixed maturity and may carry a fixed or adjustable interest rate. These deposits allow clients the service of saving for a future event, thus increasing their financial security to a certain degree.

Non-transaction deposits are different from investments as they represent smaller amounts of money invested over a shorter period of time and thus represent more of a form of saving than an actual investment in the strictest terms. There are three main types of non-transaction deposits. The first identifiable type is the call deposit. Call deposits occur when funds may be deposited or withdrawn at the client's convenience. The second type is the 32-Day deposit account. Thirty-two (32) day deposit accounts allow client to access their funds with 32 days notice being given. The rate of interest earned increases with the notice period. The third type is the fixed deposit account. A fixed deposit occurs when a client deposits a lump sum of money for a fixed term at a fixed rate of interest. Interest may be paid monthly, quarterly or on maturity. Another form of deposit is the money market account as discussed previously (New products, 2007: 54).

5.4.2.1.2 Self-service banking

Self-service banking is comprised of the services of personal banking that do not actively require the client to constantly interact with a commercial bank staff member when utilising one of these services. Due to this definition the researcher combined services such as telephone banking, cell-phone banking, Internet banking, debit and credit cards to form this section.

a) Credit cards

Fenech (2007: 9) defines credit cards as an element of personal banking that is frequently used by clients. A credit card is typically a plastic card embossed with the account number, initials and surname of the cardholder. The account makes provision for a credit limit that can be used to purchase goods and services, as well as to obtain cash disbursements. Repayments of the credit, which was extended, may be effected through several monthly payments, that are payable over a specified period.

b) Debit cards

Debit cards are another facet of personal banking. Hereby clients are able to purchase goods and services at all retailers that have an agreement with the commercial bank. They also provide clients with a degree of financial security as a daily purchase limit is usually inflicted. Chu (2007: 1) explains that payments for goods and services are taken directly from the client's bank account upon the entering of a security pin number (the same number used when withdrawing money from the ATM). These cards also allow clients to withdraw funds from ATMs. It is also possible for these cards to be used internationally, where a MasterCard sign is displayed.

c) Telephone banking

Telephone banking has developed over the last two decades as an imperative component of personal banking. Via telephone banking clients are able to

contact their commercial bank telephonically to complete their financial transactions. Passwords are utilised to protect client records and funds. Clients interact telephonically with staff, which executes the necessary banking transactions on behalf of the client. Its main benefit is its convenience (Issues and Trends, 2007: 5 to 7).

d) Cell-phone banking

Whitfield (2006: 12 to 14) advocates that cell-phone banking service enables clients to do their banking whenever they want, directly from their cell-phones, via SMS (short message service). Often clients are also informed of any transactions on their bank accounts via SMS.

e) Internet banking

Internet banking enables clients to access their accounts as well as conclude transactions through the Internet. Transactions, such as viewing of balances, transferring of funds between accounts, payment of accounts, applying for loans may be conducted over the Internet. Among its main benefits is convenience, control of finances as well as being able to do banking at any time of the day or night. Transaction records are accessible online whenever needed (Auto Share Invest, 2006: 48).

5.4.2.1.3 Non-interaction banking

Debit orders are considered a form of non-interaction banking. Hereby the clients do not directly interact with any employees of the commercial bank, nor do the clients actively perform the service themselves. Commercial banks perform the service on the behalf of the client with minimal interaction between employees and clients. Sullivan (2007: 2) explains debit orders as a form of service banking whereby clients may indicate that a fixed amount be transferred on a monthly basis to another account. This adds convenience in that clients do not need to authorise the commercial bank repeatedly to make the payments.

The payments are made routinely once a month until indicated otherwise by the account holder. Therefore it allows clients to make fixed regular monthly payments to service providers without being required to physically make the payment.

5.4.2.2 *Investment banking*

All forms of investment banking are imperative services that are delivered by commercial banks as well as an integral part in developing relationships with clients. It may be assumed that satisfaction with personal banking services may encourage clients to consider investment banking services (such as investments, trust administration and insurance). Investment banking, in its nature, requires a longer form of commitment from the client. It also requires greater interaction with commercial bank staff in order to determine the best investment option for the client's individual needs. Accordingly, a closer relationship is developed as the commercial bank becomes aware of the client's wants, needs and behaviours and may thus better meet those needs with relatively customised services and service delivery. Investment banking encompasses all forms of investment. It may take the form of trust administration, estate (Wills), investment deposits and unit trusts, as well as the traditional forms of investments such as Money Market Accounts. Investment banking also represents a service with which a relatively large percentage of clients are familiar. The researcher is of the opinion that investment banking may be divided into two broad groups namely Trust Administration and Investment Banking.

5.4.2.2.1 Trust Administration

Trust administration/services concerns the management of property owned by a commercial bank's client such as securities, land and buildings to name a few examples. It is important to note that the trust department is a separate entity/department in the commercial bank. Trust departments often secure large

deposits as they manage property (not only physical but also monetary) for their clients. Clients may instruct the commercial bank to place money within certain accounts yielding the highest possible rate of return for future use. Trust services therefore include services such as the management of pension/provident funds, issuance and redemption of securities and property management. Typically levy asset management fees (trustee fees) are levied in regard to the deliverance of these services. These fees are usually based upon the value of a client's assets. Trustee fees are a valued source of income for commercial banks as they represent revenue that is relatively stable and not influenced by fluctuations in market interest rates (How the investment process works, 2006: 54).

a) Wills and Estates

Closely linked to trust services is the service of wills and estates. This service is also performed via the trust department within the commercial bank. Rose (2002: 11) advocates that hereby a commercial bank's trust department employees may serve as executors or administrators of wills, identifying, inventorying and protecting the property (estate) of a deceased person. They may also ensure that any unpaid bills are met and that the heirs of the deceased receive the income or assets to which they are entitled. Trust departments also often manage the pension or retirement funds of clients. They may also serve as guardians of assets held for the benefit of minors or adults that are not legally competent.

Through these services commercial banks attempt to ensure that clients have well drafted wills and testaments that will provide them with peace of mind. Due to the substantial size of the commercial banks dominating the South African industry, they can ensure that clients received efficient service from any sub-contractors utilised. They also attempt to ensure that their own staff provide professional expert service with integrity and empathy. A nominal fee, for the

drafting, administration and holding of the will is charged. (Fertile environment for private banks, 2006: 51).

In addition to the drafting of wills and estate administration, trust departments of commercial banks may also perform the service of managing the client's financial affairs on their behalf. Feltham (2007: 84) indicates that this service is referred to as managed agency accounts. Hereby the assets and investments of individuals, who lack the expertise to manage their finances, are managed on their behalf. Usually a tiered fee structure, applicable on the value of the assets is employed.

5.4.2.2.2 Investment banking

Investment banking encompasses all forms of investment. This service may take the form of large-scale deposits, unit trusts and off-shore investments. Investments are usually larger in nature and longer in duration than the savings deposits referred to in the previous sections. Hereby clients deposit their funds in non-deposit investment products such as stocks, bonds, mutual funds and annuities, which offer better returns than conventional deposits. The researcher has also decided to include insurance products under this general category of services provided (Climate remains favourable for equity investment, 2006: 71).

a) Group Investment

It is possible for a client (individuals and families) to invest together with other clients to form a group of investors. This offers clients the ability to invest in assets which, had they invested individually, they would not have had access to. It also offers clients the advantage of increased security, as there is more than one investor's interest at stake. Mutual funds are one of the most popular forms of non-deposit investment products. This form of group investment consists of companies that offer shares in a pool of securities (such as stocks and bonds)

and flow through any earnings generated to the shareholding client. Each share in mutual funds permits an investor a pro rata share of any dividends, interest payments or income generated by a pool of stocks and bonds (Mutual funds, 2007: 9 to 10).

Mutual funds appear popular to investors, as their long-term yield is relatively high. In addition, most funds are well diversified, thus spreading investor's exposure across numerous financial instruments. Raine (2006: 12 to 13) advocates that mutual funds also offer the advantage of having professional money manager to monitor the daily performance of each security held by the fund. The money manager also actively looks for more profitable opportunities. This service, as offered by commercial banks, assists small investors who do not have the expertise to constantly monitor the market. The commercial banks charge a fee for this service.

Pechter (2007: 1 to 21) defines annuities as savings instruments in which the client makes cash payments to investment managers, which place the money into earning assets and at a later stage the purchaser receives a stream of income from the assets. Annuities may either be fixed or variable. Fixed annuities provide a fixed rate of return over the life of the annuity contract. The fixed rate annuity generates a continuous level of income to the client. Variable annuities require investors to invest a lump sum of money in a basket of stocks or bonds, but there is no promise of a guaranteed or level rate of return.

Often variable annuities are used for retirement plans at some designated future date the client receives income payments, where the amount received is based upon the accumulated market value. If the price of assets have declined in value over time the client will still receive income, albeit less than expected. Linked to this service there is one main potential problem or risk associated. Their value is determined by market conditions and consequently their performance may be disappointing, thus angered clients may hold the commercial bank responsible

for the poor performance causing negative service perceptions (de Lange, 2007: 4).

b) Individual investments

Individual investments refer, in the researcher's opinion, to those investments, which the client may embark upon on their own. Commercial bank staff assist these clients in their investments, at a nominal fee but do not actively manage the investment on behalf of the client.

Benner (2007: 16) indicates that investing money has risks associated with it. Careful planning of the investment as well as catering for potential risk often results in high return yields. It is important that when considering investing, clients question commercial bank staff about the risks associated with the investment, its liquidity and tax efficiency. A direct relationship exists between the expected return and the risk associated there with.

Numerous forms of investing exist. Investing could refer to investment in money market funds, for example, where a minimum deposit of R20 000 is required. It is also possible for client's investment portfolio to include equity investments. Hereby, investments may be in accounts, where the interest paid is determined by the performance of the FTSE/JSE top 40 index. It is also possible for clients to invest in unit trusts. With this form of investing the clients funds are pooled with those of other investors, creating greater overall buying power for all participants. Any one investor may sell unit trusts, at any time. Clients may also invest in stocks such as financial, industrial and resource stocks. In recent years it has become popular among investors to embark in off-shore investing. Hereby clients invest in accounts or stocks in overseas markets or stock exchanges. It is also possible for clients to open foreign currency accounts whereby they earn interest on foreign currency (Benner, 2007: 116).

5.4.2.2.3 Insurance

Commercial banks are not only limited to the provision of security and annuity investments. In recent years commercial banks have begun to provide the service of offering insurance products, in response to changing client needs.

Rose (2002: 434) specifies that one of the first insurance services offered was life insurance policies. Life insurance policies are contracts that promise to make cash payments to beneficiaries upon the death of the policyholder. In connection with this service commercial banks have employed life insurance writers, who manage the insurable risks, collect insurance premiums and ensure the payment of insurance claims.

Commercial banks have also begun to sell more property- or casualty insurance policies. Gallagher (2007: 4) states that hereby coverage is sold to clients that relate to medical costs or accidents. Commercial banks often divide their insurance policies into two categories namely long and short term. Short-term insurance covers aspects such as household and vehicle insurance. Certain commercial banks also provide legal insurance whereby premiums are paid to cover costs in the likelihood of legal action. Long-term insurance options cover funeral plans, life-insurance and retirement plans. These insurance policies are paid out upon the death of the policyholder or the retirement of the policyholder.

Despite all these additional services offered, one of the most important services offered by commercial banks is that of providing loans.

5.4.2.3 Loans

Loans may comprise one of the most definitive forms of services delivered by commercial banks. Loans (especially residential loans) represent a level of trust by both parties, as well as an extended relationship (spanning from a year up to

thirty years). During this time the commercial bank will have numerous opportunities to interact with the client, determine needs and behaviours and as such develop a relationship with the client. This relationship development may form the basis of a new transaction and relationship upon the completion of the current loan requirements. Kathman (2007: 6) is of the opinion that loan granting is one of the most important economic functions of commercial banks. Through loans, local communities have sufficient funds to conduct legitimate business as well as client transactions. Commercial bank loans therefore provide positive information about the economic vitality of the community. Accordingly, it is possible to assume that this service is one with which clients may be familiar. It is therefore necessary for the quality of service delivery associated with this service to be analysed.

5.4.2.3.1 Types of loans

Several different types of client loans are available to accommodate clients needs. Loans may be classified by purpose, which is the reason the funds are borrowed. Commercial banks make a wide variety of loans available to clients from the purchasing of vehicles to the purchasing of homes. The researcher is of the opinion that the types of loans granted to individuals may be classified into two broad categories namely residential and non-residential loans.

5.4.2.3.1.1 Residential loans

Kirchhoff (2007: 3) explains that residential loans refer to the credit granted to finance the purchase of a house or dwelling. This usually gives rise to a long-term loan, extending from 10 to 30 years. Loans may carry either a fixed rate of interest or a variable rate of interest. A real estate loan or residential loan is credit extended to purchase or improve real property such as land or buildings. Purchasing of property has been advocated as one of the single biggest investments that individuals may make. Residential loans differ from the other

forms of loans, as the loan size is usually much larger (hundreds of thousands of Rands as opposed to tens of thousands). Moreover, residential loans have longer maturities (up to 30 years) than traditional loans.

As commercial banks are aware of the different purchasing abilities and requirements of their clients they have developed various home loan packages that cater for among other aspects, income capabilities. Thakor (2005: 1068) indicates that provision is also made for the ability to access funds already repaid on the loan for alternate uses. Commercial banks have also developed attractive interest rates on home loans in order to be competitive. A separate form of residential loan is available for clients that are planning on building their homes.

Commercial banks offer the service of qualifying client to determine the amount for which they can purchase. It is important to note that residential loan amounts, rates and periods (10, 20, 30 years) are determined on an individual basis. Clients needs and abilities vary, therefore residential loans are tailored to meet individual client's specifications. The loan amounts and rates approved are done at the discretion of the individual banks (Kathman, 2007: 6).

5.4.2.3.1.2 Non-residential loans

Non-residential loans refer to the granting of loans by commercial banks for any purpose alternate to the purchase of a property. This category may be further subdivided into two further categories namely installment and non-installment loans.

A) Installment loans

Installment loans are short or medium term loans that are repayable in two or more consecutive payments. Such loans are employed to purchase items such as vehicles. Hawkins (2006: 14) indicates that normally a fixed rate of interest is

employed on these loans. Credit is therefore paid off gradually over time through a series of principal and interest payments. This broad category refers to all the various forms of loans granted to individuals that are not utilised for the purpose of purchasing or building homes. Loans to individuals may include personal loans, vehicle finance, student loans and overdrafts.

b) Personal loans

Krishnan and Ritchken (2006: 1546) state that personal loans represent the amount borrowed by clients for personal use. They are suitable for financing large payments or purchases, such as appliances, furniture, or if credit is required over an extended period. Interest rates are charged between prime and Usury maximum. Loan amounts may vary up to R50 000. The amount that may be borrowed is dependent upon the income of the client. Personal loans are repayable over a pre-determined fixed period varying between 12 and 60 months. Interest is linked to the usage of the funds made available calculated on the outstanding loan amount. Personal loans offer the benefits of being highly flexible. Once again the amount to be borrowed, interest rate and terms of borrowing are determined on an individual basis of which income is one of the main determinants. The decisions are determined at the discretion of the commercial banks.

c) Vehicle finance

Commercial banks also make loans available that allow clients to purchase vehicles. Whitfield (2006: 15) specifies that they offer a wide range of financial options (installment sale, lease agreement, rental agreements and unique services to help meet the client's individual needs.

d) Student Loans

Student loans help students to finance their studies towards a degree at an accredited tertiary institution. This loan helps pay tuition fees, books as well as equipment and accommodation (Loans, 2006: 84).

e) Overdraft

A credit facility linked to the client's account that permits the borrowing (to an agreed) limit on a transaction account is referred to as an overdraft. It is a fluctuating loan facility and allows the client to use as much or as little of the agreed limit as required. Chu (2007: 4) explains that interest is only paid on the portion utilised. The amount for which a client may qualify for is dependent upon income and credit risk. Interest rates payable are linked to clients credit risk. Rates are charged between prime and the Usury maximum. The amount granted and the interest rates payable are determined at the bank's discretion. It is important to note that overdrafts are usually repayable on demand should the client not meet the conditions stated in the overdraft agreement.

f) Non-installment loans

Non-installment loans are typically short-term loans that are repayable in a lump sum when the loan matures. Such loans may be for relatively small amounts. Okeahalam (2003: 338) indicates that they are typically utilised by clients to cover the cost to medial and hospital care. Non-installment loans have as yet not been introduced by commercial banks in South Africa. This service is thus not available to the South African industry.

g) Commercial/industry loans

Commercial or industry loans refer to the credit extended to business firms to support the production and distribution of their products or services. As this study focuses on the services offered to individuals, these services will not be analysed further (Muller, 2006: 26).

5.4.2.3.2 Determination of granting loans

As mentioned repeatedly in the prior sections the decision as to whether to grant the loan/overdraft is made at the commercial bank's discretion. However, there are certain aspects that commercial banks consider when determining whether to grant a loan.

It is in the researcher's opinion that the level of creditworthiness of the client may also to a certain degree influence the variety of services that are available to the client. The creditworthiness of the borrower refers to whether or not the client can service the loan, that is pay out the credit when it is due. Usually six aspects of a loan application are considered namely character, capacity, cash, collateral, conditions and control. It is necessary for all of these aspects to be present to warrant a loan being granted (Loans, 2006: 85).

Moody (2007: 19) is of the opinion that clients should have a well-defined purpose and a serious intention to repay the loan. Linked to this is a responsible attitude towards the use of the borrowed funds. It is therefore possible to indicate that responsibility, truthfulness, serious purpose and serious intent to repay by the client are considered as character. Each of these aspects is analysed in the determination of a loan application. The clients past payment record, credit rating also play an important role in determining the character of the client.

It is essential that the client have the authority to request a loan and the legal standing to sign the loan agreement. This client characteristic is referred to as Legal capacity. Alexander (2006: 20) indicates that in order to determine capacity, legal documents such as the client's identity documents and pay slips are analysed by the commercial banks. Closely linked to capacity is cash. Cash refers to the flow of liquid funds that is normally the principal means a borrower uses to repay the loan. In other words does the client have sufficient funds (cash) available to repay the loan on a monthly basis. Often banks consult credit bureaus to determine the client's loan and repayment history. This characteristic is a main determinant in whether the loan is granted. It is also a major influencer in the extent of the service that may be offered to the client.

Gatev and Strathan (2006: 867) state that commercial banks will attempt to determine whether clients have any additional assets to support the loan. Therefore ownership of assets and the liquidation value of assets will be taken into account when considering the loan application. Conditions and control as characteristics are closely linked to cash. Commercial banks are required to be aware of macro-economic conditions. Recent trends in the borrower's line of work or changing economic conditions may affect the loan detrimentally. Control refers to the extent to which changes in any law or regulations may affect the borrower. This may be in the form of increased tax, Capital Gains Tax and credit control policies.

Each of these aspects, individually and as a group, will contribute to the extent of services offered by banks. They may also possibly influence the perception of service delivery as perceived by clients. In the researcher's opinion it is possible to assume that the better the above aspects the more services offered to clients, thus the better the service quality as perceived by clients.

5.4.2.4 *Foreign exchange*

Foreign exchange as a service delivered by commercial banks is not as prevalently utilised as the afore-mentioned services. It is also slightly less long-term in nature. However, it too forms a basis for potential relationship development. Again it is possible to assume that if a client is satisfied with the alternative services previously mentioned as offered by the specific commercial bank they will utilise the foreign exchange services as well (if available). In addition with the globalisation of the world market, this service represents one in which a growth in its utilisation is the most expected. It therefore also offers a viable market in which to develop relationships with clients. Foreign exchange refers to the service that commercial banks offer their client's when they travel abroad. Due to the ease with which people may travel and do business abroad, this is a service with which more and more clients are becoming familiar. Commercial banks may offer a variety of services to assist their clients. Travellers' cheques may be issued to clients via the commercial bank. Hereby clients are provided with a safe measure to take money abroad. He (2007: 45 to 52) states that it is also possible for commercial banks to dispense foreign currency notes. Instructions by the South African commercial banks to foreign banks referred to as drafts to issue cheques may also be provided. Therefore drafts are in effect cheques drawn by one bank on another bank. It is usually for a fixed amount as specified by the client. Commercial banks also provide the service to clients of assisting with visa letters, registration of immigration/emigration. It is also necessary to note that the credit and debit cards usable in South Africa may also be utilised when travelling abroad. Electronic payments into foreign bank accounts are also possible.

As seen from the above section, while the services offered by the commercial banks to clients may be uniform in nature, the specific terms, conditions and costs of those services are calculated on an individual basis. Many factors are

taken into account when determining the variety, level and quality of service delivery experienced by the clients.

5.5 SERVICE DEVELOPMENT TOOLS FOR THE COMMERCIAL BANKING INDUSTRY

As with any industry the commercial banking industry has numerous service development tools to ensure that clients receive quality service and high levels of service delivery. Service development tools primarily take the form of regulations and codes enforced on the industry. These tools and their effect on service delivery and quality will be discussed in subsequent sections (Nagar and Rajan, 2005: 910).

5.5.1 Code of Banking Practice

The South African Banking Council primarily regulates the commercial banking industry. This council is comprised of all four main commercial banks operating in South Africa. Harris (2005: 24) indicates that the South African Banking Council formulated the Code of Banking Practice whereby they regulate the services offered by the banks. Hereby they ensure that a high level of service quality is continuously delivered to clients.

Alexander (2006: 17 to 40) is of the opinion that there exist three main reasons for the establishment of a Code of Banking Practice. Firstly, there is a need for banks and their employees to have a set of minimum requirements with which to comply. Secondly, the need for a creation of a customer-focused culture in the banking industry. Through the continuous analysis of client needs and behaviour, banks would be able to implement a policy of long-term relationships with their clients. Thirdly, linked to this is the establishment and maintenance of a healthy relationship between the client and the commercial bank. The code

aims to provide valuable safeguards and solutions to client's banking and financial needs.

According to Nelson, Chan and Gibson (2007: 222 to 236) the Code of Banking Practice is comprised of 23 principles. This Code clearly specifies the actions that commercial banks need to undertake to ensure quality service delivery. All commercial banks are required to subscribe to the code. The main principles of the Code will be named in the subsequent paragraphs.

Commercial banks are required to first and foremost act fairly and reasonably in all dealings with clients. It is necessary that they ensure that all services comply with the code, even if the services have separate individualised terms and conditions. The Code also ensures that all procedures followed by staff members reflect the commitments specified in the code. Staff are aware of the procedures to be followed when dealing with complaints. Commercial banks are required to make all necessary information available to clients on the services available in plain language while affecting assistance on any unclear aspects. It is also necessary to indicate if any of the services may be offered in an alternative manner (Code of banking practice, [n.d]: online).

All written terms and conditions need to be fair and clearly written as well as clearly specifying the client's rights and responsibilities. Commercial bank staff are required to assist clients selecting a service that best satisfies the client's needs. They also assist the client in understanding the basic financial implications of the service selected. Information on the manner in which the account works must also be provided to all clients. Reliable banking and payment services need to be provided in a safe and secure environment. All clients need to be informed about the complaint procedure. Linked to this is that all complaints are handled speedily by the commercial bank. Commercial banks, in accordance with the Code, are required to attempt to understand client's financial difficulties/arrears if approached timeously by the client. Adherence to

all applicable legislation, codes, rules and supervisory requirements (Nelson, Chan and Gibson, 2007: 222 to 236).

Commercial banks are required to act with uncompromising integrity and fairness to promote complete trust and confidence within the industry. They must ensure that lending criteria and services are based and applied on commercial principles with no form of discrimination. Any relaxation granted in respect to indebtedness must be confirmed in writing. Clients must be clearly informed of the banks expectations. Commercial banks are required to clearly display the existence of the Code of Banking Practice and the bank's adherence thereto. As well as provide clients with a copy of the Code of Banking Practice upon request. Clients must also ensure that they do not sign any documents that are not fully completed. The needs of disabled clients must also be taken into consideration, in relation to banking services and facilities. Commercial banks are required to act upon any written instructions from clients upon verification of identity (Code of banking practice, [n.d]: online).

The Code of Banking practice also makes brief reference as to the manner in which complaints should be handled. It is advocated that clients' first contact the bank should they have any complaints, ideally the branch or department where the complaint originated. Should clients continue to be dissatisfied with the commercial bank's response, it is advised that they contact the bank's Client Relations Center. Continued dissatisfaction would require that the client complain be escalated to the banking Ombudsman (Mittner, 2007: 15).

Through adherence and implementation of these guides the service delivered to clients by all commercial banks may be enhanced.

5.5.2 Acts

Two predominant acts affect the commercial banking industry and thus affect the variety, level and perceived quality of service delivery. The first Act to be discussed is the Usury Act and the second is the Financial Information Centres Act commonly referred to as FICA. The third Act to be discussed will be the newly implemented National Credit Act. These acts will be briefly discussed in the following section.

5.5.2.1 *Usury Act*

The Usury Act No. 73 of 1968 is the main act regulating the commercial banking industry and their activities. Within the Usury Act it is clearly specified the conditions for the issuing of loans, maintenance and repayment of credit card purchases, finance charges and the extent to which they are charged are also regulated via this Act. Housing loans, leasing agreements and all relevant details relating hereto are specified within the act. The Usury Act is therefore a tool, which clearly states and specifies the services that may be delivered to clients as well as the costs banks may charge for these services. In this manner it is hoped that clients will not be exploited in any way. This Act is soon to be replaced by the National Credit Act (Robertson, 2006: 62).

5.5.2.2 *Financial Intelligence Centre Act (FICA)*

FICA is a relatively new legislation introduced that affects the commercial banking industry. The Financial Intelligence Centre Act was introduced in order to combat money laundering. In accordance with FICA, commercial banks have to comply with certain requirements that relate to clients with whom they have established business relations prior to 30 June 2003. These requirements are now standard in the South African financial services industry and are pre-requisite for opening any new account with a financial institution. Commercial

banks are prohibited from transacting with existing clients unless they have obtained certain information about their client's identity and have verified this information (FICA, [n.d]: online).

5.5.2.3 *National Credit Act (NCA)*

The NCA is applicable to all credit agreements entered into after the first of June 2007. It is therefore applicable to the following commercial bank services: overdrafts, credit cards, mortgages and instalment agreements. The NCA grants consumers the right to access and challenge their credit record, as well as receiving all correspondence in an understandable language. It also restricts misleading advertising with specific restrictions on phrases such as guaranteed loans. The main benefit of this particular act is the increased transparency. All interest rates fees, additional charges and maximum interest rates chargeable need to be disclosed and agreed upon prior to the signing of the agreement. Consequently add-on costs, for example insurance, are prohibited. It also aims to promote responsible credit granting and use. Credit providers are required to ascertain whether the client is able to afford the credit prior to the granting of credit. Failure to do this may result in severe consequences for the credit provider (Bergquist, 2006: 9).

5.5.2.4 *Reasons for regulations*

Pillay and Naude (2006: 873) state that there are a number of reasons for the supervision of commercial banks. Commercial banks are the leading repositories of the savings of individuals and families. Regulation hereby ensures the safety of the public's savings. Banks also create money in the form of loans. It is also necessary to ensure that there is equal opportunity and fairness in the public's access to financial services. Regulations also attempt to promote public confidence in the financial system.

5.6 CONCLUSION

Commercial banks are facing many pressures today. However, the most predominant pressure stems from the changing client base, as well as the economic and social trends affecting clients. In the past, businesses were the main source of income for commercial banks. In recent years there has been a definitive shift to individuals forming the most profitable client base for commercial banks.

In response banks have had to develop improved services to satisfy this large and diverse client base. Commercial banks have had to reconsider credit standards and improve their operating efficiency in order to provide client relevant services. While banks offer a uniform version on of services, they have employed an individualised approach as well to their services. Even though the services may be generalised, the terms and conditions thereof are solely determined on a client-to-client basis. This approach is applied to all four categories of services.

To further assist commercial banks in the deliverance of good quality service a Code of Banking Practice was established to guide the interactions between commercial banks and clients. Commercial banks are further assisted by two predominant regulations, namely the Usury Act, the National Credit Act and FICA. Through these tools commercial banks attempt to deliver higher quality services that are tailored to satisfy clients individual needs. Through extensive research into their client's behaviours, commercial banks can offer relevant services thus creating lasting relationships with their clients.

CHAPTER 6

INTERNATIONAL BANKING

6.1 INTRODUCTION

Banking, as defined in the previous chapter, refers to the transactions carried on by an individual or firm engaged in providing financial services to consumers, businesses or government enterprises. In Kimmel's (2007: 38) opinion in its broadest sense, banking consists of the safeguarding and transferring of funds, lending or facilitating loans, guaranteeing creditworthiness and exchanging of money. As can be seen this definition clearly does not preclude banks from expanding internationally. To the contrary these services advocate the development of international markets.

The expansion of trade in recent decades has been paralleled by the growth of multinational banking. Banks have historically financed international trade, but a notable recent development has been the expansion of branches and subsidiaries that are physically located in other countries, as well as the increased volume of loans to borrowers internationally (Focarelli and Pozzola, 2005: 249).

According to Mancini (2004: 4) initially, the commercial banks which expanded to overseas countries were primarily business-oriented banks. However there has been a move towards engagement in retail banking as well. The growth in the use of the Internet worldwide and the development of procedures enabling secure transactions online have created the new field of online banking where customers deal with their banks chiefly or entirely through Internet connections.

Since online banking services can be accessed with equal ease almost anywhere in the developed world, this raises the possibility of banking networks

operating without regard to national boundaries. Accordingly it is necessary to analyse the various banking systems and services offered in alternate countries. In this manner it may be possible to initially determine whether the South African commercial banking industry is on a par in relation to services offered in alternative international countries (Rosen, 2006: 6).

6.2 INTERNATIONAL BANKING SYSTEMS

One of the first modern banks established had its origins in Britain. The Bank of England was established in 1694. During its first years of trading this commercial bank utilised gold as the main commodity traded. The Bank of England would loan out gold in exchange for promissory notes. It is advocated by Costanzo, Keasey and Short (2003: 259) that it is on the basis of this revolutionary concept that most modern commercial banking systems, including that utilised in South Africa, are based. The South African commercial banking industry and therefore their service delivery was developed upon foreign banking systems in specific the British commercial banking system.

6.2.1 British commercial banking system

As discussed in the previous section the British commercial banking system was one of the main influencers in determining the services offered by the South African commercial banking system. It also therefore indirectly influenced the South African industry's level of service delivery.

Initially early English Commercial Banks were privately owned. Due to bank failures, joint stock banks were introduced in the 19th Century. Hereby commercial banks were able to have larger capital bases. The British commercial banking system however failed to preserve a large number of institutions. At the turn of the 20th Century bank mergers reduced the number of

commercial banks operating within the industry. Eleven large commercial banks continued to operate within the British commercial banking industry (Ram, Smallbone, Deakins and Jones, 2003: 663).

By 1980 a restructuring of the industry occurred. Legislation was passed whereby only commercial banks identified by the Bank of England (the equivalent of our Reserve Bank) as 'registered bank' or 'licensed deposit taking' institutions were permitted to accept deposits from the public. This legislation is still applicable today. Grougiou and Wilson (2003: 360) are of the opinion as a result of this legislation the British commercial banking industry is controlled and dominated by five large commercial banks namely, Barclays, Lloyds, TSB Group, Midlands (part of HSBC Holdings) and National Westminster (taken over by the Royal Bank of Scotland in 2000).

It is the opinion of Block, Waggoner and Chu (2006: 4) that these mergers and conglomerations consequently offered clients the benefit of a wider range of service being made available to them. Consequently service delivery options were extended. The South African commercial banking industry has closely mirrored the British industry. In South Africa legislation such as the Usury Act and the Competitions Act has also resulted in our commercial banking industry being dominated by four large commercial banks namely, ABSA, First National Bank (FNB), Nedbank and Standard Bank.

It appears that the South African and British Banking systems are similar in their history, nature and services offered. As a result the British system was elected as the basis for comparison. British regulations, services offered and future developments will be briefly discussed.

6.2.1.1 *British Regulations*

In the British system the Bank of England is the central bank. According to Huber (2004: 5) working closely with both the government as well as the Central Bank is the Financial Services Authority (F.S.A.), Banking Code Standard Board, Financial Ombudsman and the Financial Reporting council. Each of these will be briefly identified in subsequent paragraphs.

- a) The Banking Code Standards Board operates to ensure that commercial banks comply with the Banking codes. Since its formation in 1999 the Board has worked towards the widespread implementation and accurate interpretation of the Bank codes, in order to protect client's interests and ensure quality service delivery (Bergquist, 2006: 9).
- b) Financial Services Authority (F.S.A). This body is the primary regulator of the quality of service delivery within the British commercial banking system. It is an independent body. According to McMillan (2007: 2) it has four main aims. Firstly to maintain confidence in the British Commercial banking system. Secondly, to promote public understanding of the industry. Thirdly, securing the appropriate degree of protection for clients. Fourthly reducing financial crime. There are also secondary objectives such as providing political and public accountability.
- c) The Financial Ombudsman Service was created by legislation. It regulates the British financial services industry. Its primary aim is to settle disputes between clients and commercial banks as quickly and informally as possible (Smith, 2006: 29).
- d) The Financial Reporting Council (F.R.C) is an independent regulator. According to Percy (2007: 10) it was established with the aim of promoting confidence within the British commercial banking industry.

6.2.1.2 *Services*

The services offered by commercial banks worldwide, are fundamentally the same. The basic concepts, perhaps due to the emergence of the global village, of all financial services are universally the same (Benner, 2007: 9).

It is the opinion of Costanzo, Keasey and Short (2003: 260) that the British commercial banking industry has also segmented their services to individuals into four main groups, namely personal banking, investing/saving, loans and foreign exchange. As is the case with South African personal banking it includes all financial services such as credit-, debit cards, ATM, debit order and current accounts. The similarity extends even to the extent that these similar services are named exactly the same in South Africa as in Britain. The main differentiation exists in relation to the small difference the British banks have in terms of interest charged and interest earning accounts (Lymberopoulos, Chaniotakis, 2003: 35).

Furthermore, again the rate of interest and the terms and conditions applicable in relation to interest is determined according to the specific commercial bank preferences and client conditions. British interest rates are generally lower than those in South Africa. Investment/savings services are again fundamentally similar between S.A. and Britain. According to Blankson and Kalafatis (2007: 82) different savings and investment plans with different interest rates are available according to client needs and specifications. A similar situation occurs with reference to loans as a service. Real estate, personal, vehicle and overdraft loans are also offered by British commercial banks. This similarity continues in connection to the foreign exchange service.

6.2.1.3 *Future development*

Research has clearly indicated that as with the case of S.A, British commercial banks are also embarking upon future innovations in relation to internet-based banking and greater automation of banking services. The main difference is that the innovation is most likely to be implemented in First World countries such as Britain first. It will then be tested prior to integration into the S.A industry (Costanzo, Keasey and Short, 2003: 260).

6.2.1.4 *Ensuring quality service*

Recent research conducted by the F.S.A of England has also indicated that in relation to quality of service delivery British commercial banks fall short of their Japanese counterparts. In the opinion of Llorens and del Mar Feuntes (2003: 305), British clients do not rate the services, service delivery or range of services offered by their commercial banks, as well as their Japanese counterparts do. In specific waiting times, lack of client info and call centres are areas that have been indicated as requiring improvement.

In order to ensure quality service delivery, commercial banks as well as the F.S.A. undergo regular research into areas clients have identified as core satisfaction areas. In a recent survey Citibank (operating as a British branch of the USA giant) scored the highest in the quality service area. In Citibank branches the waiting times were short, staff were extensively trained to understand client's needs, alternative products were offered and pre-completed forms were used and call centres offered twenty-four hour service. Security for online services was also identified as a key service area. It was also indicated that clients prefer human contact through call centres not only automated responses (McMillan, 2007: 2). Therefore as illustrated by Citibank , commercial banks in Britain have implemented a trend of conducting research into client's wants and needs, and then attempting to delivery quality services to satisfy those

needs. In essence British commercial banks employ relationship marketing to ensure quality service delivery.

As seen numerous official bodies operate within the British banking system. These official bodies take proactive steps, such as conducting research, to ensure that the British Banking industry as a whole delivers quality service. As the South African commercial banking industry has based its development and formation on the system developed in the British commercial banking industry, it would therefore be beneficial to analyse the South African commercial banking industry in relation to its British counterpart. Hereby differences may be identified that could prove to be areas that the South African industry may concentrate on, hereby improving the quality of service delivered.

Table 6.1: Comparison between the British and South African system

South Africa	British
Reserve Bank is central bank	Bank of England is central bank
Code of Banking practice	Banking Codes
Banking Ombudsman	Financial Services Authority Banking Code Standards Board Financial Ombudsman Service
Innovation – secondary effect in SA	Greater innovation
Traditional marketing orientation	Utilise relationship marketing
Irregular research	Employ more research
Research conducted by individual commercial banks	Research conducted by FSA
Four main service groups	Four main service groups
Seldom compete on basis of interest rates	Compete on the basis of interest rates
Still emerging into international market	Greater international links/markets

Adapted from Benner (2007: 9).

As can be seen the South African commercial banking system closely mirrors that of the British system. This could possibly be due to the fact that the South African system was dominated by the British influence in the country during its inception. It is therefore the researcher's opinion that there does not exist a

substantial difference between the domestic commercial banking industry and the British system. The main differences stem from the fact that compared to the British system the South African one is considerably younger and less advanced. It is the researcher's opinion that a universal system of commercial banking services has been implemented in order to accommodate the global village. Today, it is far easier to invest internationally than thirty years ago. Accordingly, international countries and their banks have employed a system of financial services that are similar in all countries to assist clients in their transition into international investing/banking practices.

6.2.2 Commercial banking in the United States of America (U.S.A)

The U.S.A banking system differs radically from that employed in Britain and South Africa. The U.S.A. commercial banking industry is typically dominated by a small number of large commercial banks, thus forming an independent net branch system. This is due to the fact that the U.S.A is divided into separate states with separate legislation pertaining to each individual state. In the past this differing legislation resulted in constraints being placed on expansion and movement beyond state boundaries. According to the Federal Reserve Bulletin (2004: 1 to 18) the result was a national network of approximately 12 000 commercial banks existing within the U.S.A. Recent relaxation by state and the Federal Bank facilitated mergers and acquisitions among commercial banks even across state lines. Consequently fewer than five per cent of commercial banks in the U.S.A. are responsible for more than forty per cent of all deposits, eighty-five per cent of the banks hold less than one fifth of total deposits. The Federal Reserve system is the Central Bank and the supervisor of the U.S.A Commercial banking industry.

Each bank is able to primarily determine the services, which they elect to deliver as well as the manner and quality of service delivery. The services offered, rates charged and availability for example are all determined on an individual basis by

the commercial bank. Consequently the U.S.A. commercial banking industry is characterised by diverse services being offered with varying degrees of service quality. The Federal Reserve primarily offers basic guidelines of legal actions, but does not actively guide or regulate the services offered or when they are offered. In the opinion of Blankson and Kalafatis (2007: 82) as such there are no clear prescriptions of guides for quality service delivery. These banks are also able to compete on the basis of interest rates – these practices are not extensively possible in an oligopoly driven market, as is the case in South Africa. In an oligopoly driven market, the few businesses that dominate the market often set prices at a standard level with all the firms adhering thereto. Therefore, competition is seldom on the basis of price.

6.2.3 Banking in Continental Europe

Cannon and Cipriani (2006: 1394) identify the major central banks operating in continental Europe as France's Banque de France, Germany's Bundesbank and the Bank of Italy. Significant structural differences distinguish the banking system of continental Europe from that of many other developed nations. The main differences are in terms of ownership, scope and concentrations of services.

One distinguishing aspect of European banking especially in the Latin countries is the role of the state. Virtually all banking institutions, with the exception of the Central banks, in Britain and U.S.A. are privately owned. In France and Italy, however the government has traditionally owned either many of the major commercial banks or the majority of their stock. Commercial banks in Europe tend to limit their lending to short-term loans. Long-term loans are handled by bank affiliates. The share of the deposits and loans handled by the major European banks tend to be particularly large. This stems from the absence of restrictions on branch banking as a form of bank organisation. Consequently large European banks maintain extensive networks of branches in their home

countries. The absence of antitrust/antimonopoly tradition also accounts for the greater degree of concentration (Homann, Rill and Wimmer, 2004: 35).

6.2.4 Banking in Switzerland

It is important to note that while geographically forming part of Continental Europe, Switzerland has elected not to form part of the European Union. This aspect together with its financial history has resulted in Switzerland being discussed separately. Switzerland is renowned as a center for world banking because of its political neutrality and its financial stability. Another contributing factor towards its popularity is the tradition of confidentiality. Legislation was passed in 1934 making it illegal for banks to disclose details about their clients without express authorisation from the client. Subsequent legislative changes and international agreements have not completely rescinded this secrecy. Private banking is one of the country's principal sources of income. Switzerland's central bank is jointly owned through shares held by cantons, other banks and the public. Swiss commercial banking is dominated by four main commercial banks. Numerous smaller banks and branches of foreign banks also operate in Switzerland (Bichsel and Blum, 2004: 592).

6.2.5 Banking in Japan

As one of the world's richest countries, Japan has a banking sector with considerable influence on the world economy as a whole. It is also home to the world's largest bank in terms of capital holdings. The Bank of Japan is the national central bank and it controls the banking system. According to Suetorsak (2007: 269) the Bank of Japan has less constitutional autonomy than in many other developed countries. Several government banks/institutions supplement the commercial banking sector. A specific individual government commercial bank is responsible for large credits for international trade. Another assists in the provision of company housing. Yet another government commercial bank is

responsible for loans to purchase equipment, while another supports provision of industrial finance.

Some major banks are also closely tied to government through government investment. Other major commercial banks prefer to maintain close ties with businesses and other financial institutions than with government. The state Postal Savings System is regarded as an important channel for domestic savings (Suetorsak, 2007: 269).

6.2.6 Banking in Canada

According to Linsley, Shrives and Crumpton (2006: 2675) the Bank of Canada is the national central bank. Canada has numerous chartered commercial banks. Its set up is unique. In 1980 banks were organised into two main categories namely Schedule I and Schedule II. Schedule I commercial banks consist of shareholdings by an individual business limited to ten per cent. Schedule II banks are either foreign-owned or in private hands. Legislation in 1990 permitted banks, trust companies and insurance companies to diversify into each others areas of interest and opened ownership of Schedule II banks to non-banking institutions. Trust and mortgage loan companies, provincial savings banks and credit unions are considered important components of the banking system (Shipilov, 2006: 599).

6.2.7 Banking in Australia

Jegasoth, Phim and Tippet (2006: 165) indicate that the Reserve Bank of Australia is the national central bank. The Australian banking industry is comprised of Trading and Savings banks, as well as building societies. The main market dominator is the Commonwealth Trading and Savings bank, which is government owned. While this bank does play a large role in the market, there are other large commercial banks (trading banks) operating in the market as well.

Building societies also operate in the market. These financial institutions primarily concentrated on providing financing for building and construction. However, banking reforms have allowed building societies to become banks by offering banking services and also opened the domestic market to foreign competition. Due to the fact that Australia is part of the commonwealth the banking systems as implemented in Britain is employed within Australia as well.

6.2.8 Banking in New Zealand

Numerous similarities exist between the Australian and the New Zealand commercial banking industries. The central bank is referred to as the Reserve Bank of New Zealand. This bank is the main operator and regulator of the commercial banking industry and is owned and operated by government. As is the case in Australia commercial banks are referred to as trading banks. However, the New Zealand commercial banking industry was initially heavily regulated to prevent the entrance of foreign banks into the banking industry. Banking deregulations ended close government regulation and protection of commercial banks. Hereby, the commercial market was opened and many new and foreign banks were introduced. Trustee savings banks are also prevalent. New Zealand's small population allows highly sophisticated banking systems with Electronic Funds Transfer at Point of Sale integrated nationally. The government lends money at low interest rates to farmers, home builders and small businessmen (Ting, Gunasekarage and Power, 2005: 42).

6.2.9 Banking in Singapore

As one of the world's major financial centers and a regional economic giant, Singapore has an internationally significant banking regime. Central banking functions are exercised by the Monetary Authority of Singapore, although issuing of currency is conducted by a separate government body. Wai, Dollery and Coelli (2003: 200) indicate that the domestic commercial banking industry

consists of approximately 13 local banks and is dominated by leading houses. The Post Office Savings Bank serves as the national savings bank. There are also numerous merchant banks. Singapore is also host to many foreign banks, which are divided according to the type of licenses they are granted. Licenses may either be categorised as full, restricted or off-shore.

6.2.10 Banking in Hong Kong

Nominally under British jurisdiction and banking law until 1997, Hong Kong is important as a banking center. The industry is dominated by three banks of issue. Numerous locally incorporated commercial banks operate alongside branches of foreign banks within the commercial banking market. There are also many foreign banks operating under restricted licenses and numerous deposit-taking institutions exist (Lu, Thangavelu and Hu, 2005: 1071).

Since 1998 the Hong Kong Commercial banking industry has been more affected by international market conditions than before. To illustrate in the 1997/1998 period bank profitability of the local commercial banking industry dropped sharply due to the Asian financial crises. Smaller and medium sized banks have begun to emerge and operate within the Hong Kong commercial banking industry. (Hyytinen and Takalo, 2004: 257).

6.2.11 Banking in India

The Central Bank of India is the Reserve Bank. All banking in India is controlled by the Department of Banking at the Ministry of Finance. The State Bank of India, the largest commercial bank, handles some of the Reserve Bank's roles. Most large commercial banks were nationalised. These nationalised banks share the commercial market with non-nationalised and foreign banks. Some offer merchant banking services, though there are no independent merchant banks in India. Co-operatives and credit societies are an important supplement

to the private banking industry, especially in rural areas (Bajpa and Srivastava, 2004: 90).

6.2.12 Banking in developing countries

The type of national economic system that characterises developing countries plays a crucial role in determining the nature of the banking system. In the opinion of Ataullah and Hang (2007: 655) in capitalist countries a system of private enterprise in banking prevails, in socialist countries all banks are nationalised. Other countries have a form of liberal socialism. Hereby government owned and privately owned banks coexist.

Banks in developing countries are similar to their counterparts in developed nations. Commercial banks accept and transfer deposits and are active lenders, especially for short-term purposes. Other financial intermediaries particularly government-owned development banks, arrange long-term loans. Banks are often used to finance government expenditures. The banking system may also play a major role in financing exports. In poorer countries an extensive by primitive non-monetary sector usually continues to exist. It is then the responsibility of the banking community to encourage the use of money and instill banking habits amongst the population (Emunds, 2003: 340).

6.3 INTERNATIONAL SERVICE QUALITY

As has been seen in prior sections, commercial banks internationally offer a similar range of services to their clients as those delivered by the South African commercial banking industry. This uniformity in services provided may facilitate the globalisation of banking by allowing clients to received the same services, to which they are accustomed, regardless of the country in which the services are delivered. Dependant on the macro-economic conditions in the country and

government regulations, commercial banks may compete on the basis of interest. This may take the form of interest earned or payable. Closely linked to this will be the quality of service delivery. Superior service may provide a commercial bank with a competitive edge in a highly competitive market. However, as quality service delivery is extensively utilised by commercial banks, they are understandably hesitant to provide the methods they use to deliver superior service to the industry as a whole (Ashworth, 2003:1).

This situation has resulted in it being exceedingly difficult to research, determine and identify the methods used by various commercial banks to delivery quality service. This difficulty is further exacerbated by the diverse cultures and operating practices employed in each separate country. As such what may constitute a method of ensuring quality service in one country, may not be feasible or acceptable in another. Situations differ so greatly that excellent service delivery methods in one country may simply be the standard operating practice in another country (McCulloch-Davis, 2004: 7). As such the following sections is a generalisation of the methods used to ensure service quality in commercial banks internationally. Please refer to Appendix D (page 449) to identify the various sources referenced to obtain this information.

6.3.1 Developments in International Service Quality

Banking has traditionally operated in a relatively stable environment. Most countries' commercial banking industries, were dominated by local commercial banks and as such products and services offered as well as the level of service quality delivery, were all determined by the commercial banks within the industry. Thus the service, products and quality of service delivery were highly differentiated between various countries. Recently, due to the development and growth of the globalisation concept, the industries within the various countries are no longer dominated by only local banks (Dietz, Pugh and Wiley, 2004: 84).

Today, the commercial banking industries within countries are facing aggressive competition and banks have lost a substantial proportion of their domestic business to essentially non-bank competition and the emergence of foreign banks in the industry. Consequently the foreign banks employ new product and service offerings with which domestic banks are compelled to compete. This situation has occurred in almost all countries, as government deregulation of the commercial banking industry has permitted the entrance of foreign commercial banks in within the industry. According to Irving (2004: 49) clients often compared the products and services, as well as the quality of service delivery of these foreign banks with their domestic counterparts and began finding the latter to be less than satisfactory. This development, occurring simultaneously with the technological revolution, caused numerous difficulties for commercial banks – domestic and foreign – to overcome in order to provide quality service delivery to clients.

6.3.1.1 Changes as experienced by commercial banks internationally

The following section briefly describes the possible changes and difficulties that internationally commercial banks experienced in relation to service quality. Initially, commercial banks experienced a change in their fundamental core services. No longer was it sufficient for banks to only accept deposits and lend funds to clients. In order to remain competitive commercial banks had to begin providing investment and insurance products and options. Consequently, commercial banks began diversifying their services. A move was made towards the offering of services such as financial planning, asset management services, brokerage and insurance (John, 2006: 4).

Closely linked to this change was the concept of service quality. As new participants in the industry had already introduced many of these new services, commercial banks experienced difficulty in delivery the same level of service quality as their competitors. A predominant component of this particular difficulty

was that of personnel. Gosselin (2006: 7) is of the opinion that the commercial banking itself was unfamiliar with the complete aspects of the services offered. In addition the existence of experienced staff was minimal. Commercial banks were therefore not sufficiently competent to provide adequate training to staff on these new services. It was also difficult and expensive for the commercial banks to acquire experienced staff members from the competitive banks.

During this period substandard services, with lower levels of service quality were delivered. Working conditions were also less than optimal as well as being frustrating to personnel. Numerous resignations were tendered which adversely affected the already tenuous position of the commercial banks. Difficulty in promoting adequately skilled staff was experienced. Often less than qualified candidates were promoted. Client satisfaction levels simultaneously decreased during this transition period (Hirsch, 2007: 4).

According to Roseman (2005: 3) the technological evolution also resulted in the commercial banking industries in countries being required to implement changes and overcome difficulties. Commercial banks were required to adapt to technological changes such as ATM debit cards, electronic banking in the form of Internet banking and electronic transfers. Information technology and data processing were also affected, thus making it significantly easier to compile and collate client information. Recent years have seen the development of technology to the extent that completely 'technological' banks have been developed. Hereby there is no physical location and no staff are employed. This phenomena is referred to as Online Banks. These banks exist solely on the Internet with all interactions with the bank, taking place through various web interfaces.

Client preference changes have also created areas requiring attention by commercial banks. As the commercial banking industry changed, together with simultaneous changes in other industries, clients have become more aware of

their needs and their right to have these needs met. In the opinion of Duvoli (2004: 18) clients, for the most part, still prefer personal service from their banks. Commercial banks are therefore required to find a harmonious balance when implementing globalisation. In other words, commercial banks are required to deliver all the services of other foreign banks while still providing the personal touch to the clients.

Commercial banks have also been required to adapt to the client's need for extended operating hours, ease of use and accessibility. Hereby centralised centers were created in order to satisfy these needs. Client service specialists who are readily available in order to assist clients or answer any queries, staff these centers. Commercial banks also facilitated clients by extending their operating hours. This required having staff members being available for longer hours. With the ease of use, availability and competition on the basis of products and services offered, clients were provided with wider choices. It was also made easier for clients to switch commercial banks. Clients began comparing commercial banks on the basis of services, costs and quality. If a more viable and satisfactory commercial bank was available, clients would switch banks in order to better satisfy their needs. Consequently, client loyalty decreased, this made it easier for competition to lure clients (Budworth, 2006: 1).

6.3.1.2 Tendencies in service quality internationally

In order to maintain profitability and ultimately existence, commercial banks across the world have begun adopting a Client Relationship Management (CRM) programme. Hereby, commercial banks became more customer focused in order to counteract competition. CRM places emphasis on the effective management of client relationships. A holistic process of acquiring, retaining and growing clients is employed. Through this process commercial banks were able to leverage information from their databases to achieve client retention, while cross-selling new products or services. Commercial banks began to experience

more loyalty on the part of clients, increased revenue and reduced costs (Blery and Michalakopoulos, 2006: 117).

A second tendency that was identified internationally as being employed to improve service quality is Key Account Management (KAM), which is focused primarily on business-to-business accounts. However, according to Hughes, Foss, Stone and Cheverton (2004: 184) advanced knowledge of KAM is beneficial to client relationship management. Therefore, this tendency will be briefly identified, hereby a key account was identified. A strategic approach of providing supporting systems and processes, creating clear communication channels and the building of trust are implemented to satisfy clients.

The development and growth of technology have, also irrecoverably shaped the commercial banking industry on an international basis. Competition has emerged from banks that use exclusively online distribution. As technology has become more common place, clients have become more confident and familiar with the Internet. Subsequently, use of online banking services has increased. Traditionally, commercial banks have therefore attempted to create visibility both in the marketplace and the Internet environment referred to as marketspace. An increase in the number and type of services provided online has therefore also occurred (Stewart and McCabe, 2006: 43).

In the opinion of Shanmuganthan, Dhaliwal, Stone and Foss (2003: 50) commercial banks have also begun to develop strategies for their country's ethnic markets. These markets were previously largely overlooked by commercial banks, but they however, provide a viable and substantial market. This situation has particular reference to the ethnic markets within the United Kingdom (UK) and the United States of America (U.S.A.). Through this approach the commercial bank researched these ethnic markets and identified the predominant needs. Services were developed according to the needs identified. Hereby an increasingly profitable market has been increasingly targeted by

commercial banks across the world, using the UK and USA approaches as their basis.

6.4 CONCLUSION

Banking in various countries differs in terms of the allowable activities of banks, ownership of banks and any restrictions in relation to expansion to the commercial bank.

However, despite all the unique aspects of banking relating to the individual countries, it is possible to develop a stylised, general, theoretical international banking model. Many countries have what is commonly referred to as a central bank. Operating in the international banking industry there are also numerous commercial banks. The banks often together with a state sponsored system, offer a standard set of commercial banking services. Banking services such as ATM's, credit/debit cards, deposits, savings and investments are offered either comprehensively by one single commercial bank or individually by various financial institutions operating within the industry. Regardless, it is possible to conclude that the same set of generic banking services are available within most countries around the world.

Research methodology utilised within this research project was discussed in the following chapter. Particular attention was given to the methods of data collection and analysis employed.

CHAPTER 7

RESEARCH METHODOLOGY

7.1 INTRODUCTION

The cornerstone of development, innovation and improvement of service delivery and relationships is research. Paap and Franses (2001: 2) describe research as the best-conceived process of arriving at dependable solutions to problems, through the planned and systematic collection, analysis, and interpretation of data. It is through the practical application of this broad definition that commercial banks will be able to determine their client's perceptions of their services. Identification of alternative methods to improve commercial bank services will also be possible. Hereby commercial banks will be able to develop better relationships with their clients. However, research is a vast area of study that encompasses numerous alternatives whereby results may be obtained. It is therefore necessary to briefly identify these alternatives to be able to better understand the methods selected for this study.

The methodology used to collect, analyse, and interpret data relating to the quality of service delivery by commercial banks is discussed as follows.

7.2 RESEARCH DESIGN AND METHODS

As the research process often draws simultaneously from several different types of research it is useful to identify the various types that exist.

7.2.1 Types of research

It is possible to combine various types of research within one project. Within this study both exploratory as well as descriptive research were used. These two types of research were selected, as they were the most suitable in terms of the research objectives and nature of research employed within the study. Research was conducted to determine the quality of service delivery by commercial banks within South Africa. To determine this, exploratory research was conducted to determine whether the service delivery was of a high or low standard and whether commercial banks and clients agreed upon the level of service delivery. Descriptive research was utilised to determine whether there were differing perceptions of service delivery among clients based upon client age, gender or income (Smith and Fletcher, 2004: 5).

7.2.2 Research data types

Primarily quantitative research and data were utilised within this study. It was selected, as the purpose of the study was to determine via a measurable means client perceptions of service delivery by commercial banks within South Africa. Quantitative research is characterised by being highly structured, which allows for mathematical and statistical analysis. Therefore it was more appropriate to utilise a questionnaire, whereby clients could be questioned rather than rely on data obtained through a focus group (qualitative research) for instance. A small degree of qualitative data was obtained through the use of open-ended questions within the questionnaire.

7.2.3 Research data collection methods

This study used survey research in order to collect both quantitative and qualitative data.

7.2.3.1 *Survey methods*

Within this study two main types of survey methods were utilised to collect data, namely mail surveys and telephone surveys.

Mail surveys involve the distribution of questionnaires to specific persons or addresses. Two main forms of mail surveys exist, namely ad-hoc mail surveys and mail panels. Gates and McDaniel (2004: 113) define ad-hoc mail surveys as the distribution of one questionnaire to a selected name, with no prior contact. Mail panels are utilised when respondents have been pre-contacted and screened by the researcher. For the purposes of this study ad hoc mail surveys were selected.

Telephone surveys involve the selection of random telephone numbers through random-digit dialling. Interviewers were trained to collect information in a uniform and consistent manner from respondents via telephone (Cant, Gerber-Nel, Nel and Kotze, 2003: 84).

7.3 QUESTIONNAIRE DESIGN

Questionnaire design relates to aspects such as the type of questions to be included and the layout of the questionnaire. The questionnaires were designed to encourage respondent co-operation; therefore the design of the questionnaire was imperative. The use of easy to read questions, set out in a logical manner, together with relatively short questionnaires lead to a greater degree of participation on the part of respondents.

7.3.1 Attitude measurement scales

Gates and McDaniel (2004: 207) define an attitude as the organisation of motivational, emotional and cognitive processes with respect to some aspect of a persons environment. To measure attitudes, scaling was utilised. Scaling refers to the assignment of numbers (quantitative measures) to abstract concepts. Numerous scales exist which may be utilised within a questionnaire.

While numerous scales such as graphic rating-, itemised rating-, rank order scales are available for the purposes of this study Likert Scales were utilised (Gates and McDaniel, 2004: 208 to 212).

Likert Scales (also referred to as the summated rating scale) were utilised to measure client and commercial bank attitudes within the study. Swain, Weathers and Niedrich (2008: 117) define a Likert scale as a set of responses displaying a series of attitudes towards an object. Attitudes usually range from favourable to unfavourable, and are assigned numerical values. These required respondents to select from choices ranging from 'strongly agree' to 'strongly disagree'. Hereby the respondents specified a level of agreement or disagreement with a statement relating to service delivery and satisfaction therewith. The choices were assumed to have equal distances, however the scoring remained consistent throughout all items on the survey. Total scores were calculated to determine the respondents' attitude towards the statement or service. This method provided a clearer method of determining respondents attitudes towards the service. It also helped to identify a preference towards a particular service. Likert scales were identified as the most preferable scale to utilise within the questionnaires, as the attitude of clients towards the services delivered by commercial banks was to be measured (Cant, Gerber-Nel, Nel and Kotze, 2003: 122).

7.3.2 Questionnaire layout

The questionnaire layout may be a contributing factor toward the willingness of respondents to complete the questionnaire (Smith and Fletcher, 2004: 72). Attention was therefore given to every aspect of the questionnaire.

Questions were positioned to create a logical flow, so that it was easy for respondents to follow. Screening questions were included in the client's questionnaire to ensure that only qualified respondents completed the questionnaire, for example those respondents who had utilised the services of a commercial bank. Questions were worded in a concise and clear manner in order to be easily understood by respondents. Both open-ended and close-ended questions were utilised within the questionnaire.

Close-ended questions required respondents to select one or more answers from a pre-determined list. This method allowed for the pre-coding of answers. Coding refers to the process of assigning a code or symbol, preferably a number, to each possible answer to a particular question. The computer system utilised to analyse the data assigned code values and weights to each question as the questionnaire was designed. In this manner 'autocoding' of all close-ended questions was achieved. It was therefore not necessary to indicate the coding on the actual questionnaire. In this manner respondent confusion was minimally reduced, as the respondents did not see the coding on the questionnaire. The researcher, in compliance with prescribed coding standards and practices, manually coded all open-ended questions. Hereby all the various responses to a question were grouped and assigned numeric codes. Data analysis was therefore expedited. Furthermore, interview and coder bias was eliminated. Two predominant types of close-ended questions were used. Dichotomous questions occurred when respondents were requested to select one of two answers. Multiple-choice questions requested respondents to select from a list of two or

more responses. Both forms of close-ended questions were utilised within the study (Gates and McDaniel, 2004; 239).

Open-ended questions allowed respondents to answer questions in their own words. Respondents were provided with the opportunity to explain the reasons for their answers. It was therefore possible for respondents to answer from their own frame of reference. Paap and Franses (2001: 27) indicated that editing and post-coding of answers were necessitated through the use of open-ended questions. A greater deal of time, money and interpretation was required for the coding of open-ended questions within this study (Smith and Fletcher, 2004: 100).

7.4 RELIABILITY AND VALIDITY

Reliability and validity are measures used to ensure that the questionnaires that are distributed will deliver data that can be processed into meaningful information, relevant to the research problem. An effective means by which to test both reliability and validity is a pilot study.

7.4.1 Pilot study

Pilot studies constitute the pre-testing of a questionnaire. Within the pilot study the exact procedures for the study were implemented. Respondents for the pilot study were chosen from all categories of respondents in order to ensure representativeness within the pilot group. Flaws within the questionnaire were identified. Errors were reduced through the careful revision of the questionnaire. Through the pilot study suggestions to ensure ease of reading, services not initially mentioned and instruction changes were noted identified by the respondents. These suggestions were then noted and modifications to the questionnaire were made (Gates and McDaniel, 2004: 307).

Respondents from commercial banks (1 respondent) and clients (100 respondents) were selected in the same manner as those selected for the empirical study (see section 7.7.2.2.1 page 202). The number of respondents selected was dependent upon financial and time constraints. For both clients and commercial banks the first round of testing was conducted via the pilot study and the second round was conducted in the main empirical study. Similar results were yielded from these respondents as in the pilot study, thus indicating the reliability of the measurement instrument. Errors relating to logical flow of questions, ease of reading, language use and additional service areas utilised were identified by pilot study respondents. These changes were updated in the questionnaire and re-tested.

7.4.2 Ensuring reliability

Reliability refers to methods utilised to ensure that measures are consistent from the one administration of a questionnaire to the next (Smith and Fletcher, 2004: 159).

A census of all commercial banks was conducted. The population of commercial banks is comprised of only four different commercial banks namely: FNB, ABSA, Nedbank and Standard Bank and is therefore relatively small. Two commercial banks were randomly selected on which to test the reliability of the questionnaire. Therefore these two commercial banks received the questionnaire to complete prior to the remaining two banks. Any suggestions or problems identified were addressed and alterations to the questionnaire were made. The revised questionnaire was then submitted to all four main commercial banks. This included the two commercial banks included in the pilot study. Therefore, to test the reliability of the commercial bank questionnaire the Test-Retest method was utilised. According to Cant, Gerber-Nel, Nel and Kotze (2003: 123) this approach requires that the questionnaire be administered twice, with the second administering taking place at a later stage. In this way it was determined whether

the results were similar. The questionnaire was tested twice upon the selected commercial banks.

In relation to commercial bank clients, a total of one hundred (100) clients from various income groups and regions were selected upon which to test the questionnaire. The number of respondents selected was dependant upon financial and time constraints. Respondents were selected in the same manner as they were selected for the main empirical study. The Test-Retest approach was utilised to test the reliability of the clients' questionnaires. For clients the first round of testing was conducted via the pilot study and the second round was conducted in the main empirical study. Therefore the same clients were included within the pilot study and empirical study to test the measures a second time. Similar results were yielded from these respondents as in the pilot study, thus indicating the reliability of the measurement instrument.

7.4.3 Ensuring validity

It is required that it be determined whether the questionnaire actually measures what it is required to measure. This is referred to as validity (Gates and McDaniel 2004: 203 to 205).

As commercial banking industry participants have conducted numerous small studies into the quality of their service delivery, it was imperative that the results be reliable and viable for the industry to be able to derive benefit therefrom. Therefore it was necessary to determine whether the questionnaire items represented the population under study. To achieve this, expert opinion of the questionnaire was gathered. An experienced market researcher and a commercial bank representative were selected to form an expert panel. Furthermore, the experts were able to determine whether the questionnaire as a whole constituted a representative test. Each expert selected had an advanced

knowledge of services within the industry. Therefore, content validity was utilised to test validity of the commercial bank questionnaire.

Validity was measured using the content validity approach in respect of the questionnaire designed for the client respondents. As with above it was essential that the information being collected via the questionnaires proved reliable and viable in order to be utilised within the industry. The same method utilised for the commercial bank questionnaire was therefore used to determine whether the question items provided adequate coverage of the topic under discussion.

7.5 MINIMISING ERRORS

The researcher made efforts to reduce errors prevalent within all forms of survey research. Random sampling error and systematic error or bias, were the two main types of error that occur within survey research in particular.

Random sampling error occurs due to chance variations between the sample value and the true value of the population. Random sampling error was unavoidable and may be reduced through an increase in sample size (Smith and Fletcher, 2004: 133).

Systematic Error or Bias refers to the errors resulting from research design or execution. Systematic error consists of two broad types of error, namely measurement error and sample error. Cant, Gerber-Nel, Nel, and Kotze (2003: 78) define sample error as to the errors occurring due to incorrect sample selection. The following were implemented within the study in an attempt to eliminate or reduce these types of error:

- ★ Per the Financial Information Centers Act (FICA) all bank users are required to supply proof of a physical address (usually a municipal account) in order to

be able to use the services of a commercial bank. Therefore selection of respondents was accomplished by contacting the deeds offices of the main metropolitan/capital cities in each of the provinces and viewing title. In this manner sample frame error is reduced (Gates and McDaniel, 2004: 102);

- ★ Efforts were made to reduce the occurrence of this type of error by ensuring that the randomly selected respondents were sent questionnaires. All commercial banks received questionnaires.

According Cant, Gerber-Nel, Nel, and Kotze (2003: 79) measurement error is the result of a variation between the information being sought and the information obtained through the research. Questions within the questionnaire attempted to only derive the necessary information relevant to the research problem. The following were implemented to avoid the occurrence of measurement error:

- ★ Clear definitions of the research problem assisted in the reduction in the occurrence of surrogate information error (Gates and McDaniel, 2004: 103);
- ★ Careful attention was paid to the design of the questionnaire, thus attempting to reduce measurement instrument bias. In addition the questionnaire was subjected to pre-testing (Smith and Fletcher, 2003: 125);
- ★ Processing error was reduced through quality control procedures in data transfer. A 'double-entry' system was utilised. Hereby data entry would first be conducted by one person. A second person would then re-enter the data. If any conflicting data was entered the computer system would highlight the discrepancies. The researcher would then make the final decision, after reviewing the questionnaire, as to the correct value of the data. Computer Assisted Telephone Interviews (CATI) also allows the interviewer to enter data directly in to the system thereby increasing quality control (Cant, Gerber-Nel, Nel, and Kotze, 2003: 80);

- ★ Attempts were made to encourage respondents chosen for the sample to complete the questionnaire, for the reason telephone interviews were also utilised. In this manner non-response bias were reduced (Gates and McDaniel, 2004: 104);
- ★ Response bias in the form of deliberate falsification on the part of the respondent may exist within the study. Unconscious misrepresentation by respondents may also have caused response bias to be present within the survey; and
- ★ Attempts were also made to reduce bias within the study. Through the issuing of reminder notes to non-respondents, and questionnaire design, bias was marginally reduced. However bias is present within the study. The presence of non-respondents influenced the result of the study; therefore attempts were made to reduce the number of non-respondents to the distributed questionnaire.

7.6 COVER LETTER

Cant, Gerber-Nel, Nel and Kotze (2003: 118) identifies the importance of a cover letter within a postal questionnaire. The cover letters utilised for this study provided the outline and purpose of the study and were carefully structured, with the interest of the receiver being stressed above those of the researcher. Provision of a contact number for respondents seeking further information was also indicated within the supplied cover letter.

Within this study the Central University of Technology, Free State, supplied a cover letter, detailing the purpose of the study (See example in Appendix C page 446).

7.7 DATA COLLECTION

Based upon the research design methods identified and selected in the previous section the actual data collection procedure developed will be discussed in subsequent sections. Questionnaires were sent to both commercial banks and clients. Sampling methods differed for the separate respondents.

7.7.1 Sampling methods and sample size

In this study probability sampling was utilised in order to reduce the presence of bias. Probability sampling refers to a sample where elements of the population are randomly selected. Of the various Probability Sampling methods, Systematic random sampling was the selected means of sampling the client population. Systematic random sampling occurs when elements are selected from the numbered population using a skip interval (Gates and McDaniel, 2004: 280). Systematic sampling facilitated the projection of sample results to the target population, as every member of the population had an equal chance of being selected. It was possible to select respondents from computer and customer lists. As the respondents were selected from Title Deeds systematic random sampling was the most suited method.

7.7.2 Respondent groups

Within this study there are two main groups from which data will be collected. These two groups are namely the four main commercial banks operating within the commercial banking industry and the clients of the commercial banks. A separate data collection procedure was developed for each respondent group and is discussed the subsequent paragraphs.

7.7.2.1 *Commercial banking industry*

As mentioned previously (see page 259) there are four South African commercial banks that represent the most business within the industry, namely First National Bank (FNB), ABSA, Standard Bank and Nedbank. A questionnaire relating to their services and quality thereof was sent to each of the individual banks. Therefore a census of the participants within the South African commercial banking industry was conducted.

Data was gathered by means of a questionnaire that was sent to each of the four main commercial banks. The questionnaire was sent to the main Head Offices of each of the commercial banks. The Customer Service Managers were the target recipients of the questionnaire. The researcher considered these managers, as being the most likely to have an understanding of all services offered to clients, as well client's satisfaction therewith. It was therefore a census more than a survey of all the major commercial banks. If agencies did not reply, within a month of receiving the questionnaire, they were re-contacted to remind them and if necessary, copies of the questionnaires were re-sent. A list was kept of all responses received; so as to prevent duplication of questionnaires sent out.

7.7.2.2 *Clients*

This study aimed to determine the quality of service delivery as perceived by individuals for personal use. Commercial and business enterprises were excluded from the study, due to the cost of reaching the vast number of these clients. In order to fully understand the research methodology this section is divided into two sections.

7.7.2.2.1 Data collection design

According to the Banking Code of Practice all personal information pertaining to clients, (in other words names, addresses and such) may not be disclosed (Confidentiality, [n.d]: online). As such respondent information needs to be obtained from a freely available source. Per the Financial Information Control Act (FICA) all bank users are required to supply proof of a physical address (usually a municipal account) in order to be able to use the services of a commercial bank. Therefore selection of respondents was accomplished by contacting the deeds offices of the main metropolitan/capital cities in each of the provinces and viewing title deeds, which are publicly available for inspection, to obtain erf numbers. These were translated into physical address via valuation rolls. As the population of South Africa is widely spread over the country, only respondents within the main metroplitian/capital cities were selected. The reasons for this selection are discussed in further detail in later sections within this chapter. Only respondents inhabiting fixed form dwellings were surveyed. In other words only the socio-economic groups starting from the High section of the Low Income Group (FICA, [n.d]: online).

The extensive geographic and demographic nature of the target population - in addition to time, financial and logistical constraints - prevented the conducting of a census of commercial bank clients. It was therefore decided that one metropolitan city from each province would be selected. Another reason for this selection was that erf numbers formed the basis on which (in compliance with FICA) this diverse population could be reached. Therefore cities in which the Deed Offices for each province resided was selected. A trial sample was selected in order to evaluate the representativeness of this method. It was determined that respondents from previously disadvantaged areas – such as townships – were also included within the sample, as were respondents from low, middle and higher income groups. In this manner a representative sample

was achieved. However, no informal dwellings were included, as there were insurmountable difficulties in reaching these respondents.

Data was gathered by means of a questionnaire that was posted to clients. Selection of erf numbers therefore provided a representative sample as they encompass all areas of the city, whether affluent or rural. Questionnaires were sent to the residential addresses. As the erf numbers were solely representatives of commercial banking clients, respondents indicating that they do not use banking industry services were discarded and not included in the study. A large sample size was selected to make provision for this occurrence.

A sample of 2 000 (in total) systematically random chosen respondents was utilised from the capital cities of all nine provinces in South Africa. The study was truncated to exclude the erf numbers for all open areas, industrial, commercial and school areas. Only residential erf numbers were selected. No businesses were included within the study. As the population was an estimated 11.3 million, it was not possible, due to financial constraints, to a sample size of 100 000 or greater. Therefore, with the budgetary constraints only a sample of 2 000 could be selected. In addition reference to the South African Satisfaction Index (SAS index), the body that conducts regular research into the South African banking industry, conducted over repeated periods yielding results with an average of 300 to 400 respondents. In 2005 the SAS index was conducted with 430 respondents, the highest amount. It would thus appear that respondents' typically yield low response rates in this industry. A total of five hundred and fifty (550) responses were obtained from a sample of 2 000.

The sample was a proportionate systematic sample. The number of respondents selected from each province were proportionate to the relative size of the province's population to that of the population of South Africa. In addition, within each province only one city (the main metropolitan/capital city) were selected. Within this city respondents were selected according to the suburbs in which they

reside. The numbers of respondents selected per suburb were dependent on the number of residential erven registered in that suburb. To illustrate, in Bloemfontein there were more residential erf numbers registered in the Manguang suburb than in the Kiepersol suburb. Therefore more respondents were selected from Manguang than from Kiepersol. In this manner a more representative sample was obtained.

Erf numbers were selected by systematic random sampling. A skip interval was utilised to select erf numbers from each individual suburb.

According to Census information (2001) the population of South Africa is divided as follows (SA's population by province, [n.d]: online)

Table 7.1: Sample size and distribution

Province	Percentage of the population (%)	Sample size per province	Response per province (%)	City selected
Kwa-Zulu Natal	20.6	412	25	Durban
Guateng	19.2	384	25	Johannesburg
Eastern Cape	15.0	300	24	Port Elizabeth
Limpopo	12.0	240	25	Polokwane
Western Cape	9.9	198	26	Cape Town
Northwest	8.2	164	25	Potchestroom
Mpumulanga	6.9	138	25	Nelspruit
Free State	6.3	126	30	Bloemfontein
Northern Cape	1.9	38	26	Kimberly
TOTAL	100	2000		

Source: Adapted from SA's population by province ([n.d]: online).

7.7.2.2.2 Data collection methods

A sample of 2 000 systematically randomly selected respondents of the target population were selected. This sample was selected due to financial and time constraints. Financial aspects include the printing of the questionnaire and

postage. Time was a consideration in terms of the time period allocated for responses to be received, and the analysis of the data. The size of the population prevents the utilisation of a census, as does the extreme geographic divergence of the population.

The numbers of respondents per province selected were dependent upon the population size per province. To obtain an accurate representation of South Africa the main metropolitan/capital cities of each province were utilised. Furthermore, Deeds Offices are usually situated in metropolitan areas and not extensively in rural areas. Therefore, Title Deeds of rural or less developed areas were registered in the nearest Deed Office. For this purpose it was necessary to use metropolitan areas and not rural areas. As mentioned previously, the extensive size of this population, vast geographic distribution, timing, financial and logistical considerations all precluded the use of a census. The economical diverseness of the provinces, indeed the economical diverseness of respondents within the various cities, allowed the selection of a sample from each province to provide a representative picture of the typical demographic composition of commercial bank clients. (SA's population by province, [n.d]: online).

The following is an illustration as to how the sample was selected. The sample was selected by utilising a systematic sampling method. To determine the skip interval the population size per province was divided by the selected sample size per province. To illustrate in the case of the Northern cape the population size was 1.9 million and the sample size to be selected from that province was 38. A skip interval of 50 000 was the resultant figure (1.9 million divided by 38). Accordingly every 50 000th erf number was selected. However this figure was further divided according to the number of residential erf numbers per suburb. The higher the number of erven in the suburb, the higher the number of respondents selected therefrom. The exact number of residential erven per suburb was obtained by contacting the Deeds Office situated within each city.

In order to determine the starting point an arbitrary point was selected on a table of random digits. Accordingly the erf numbers in each suburb which corresponds the most with the arbitrary point was selected as the starting point. The valuation rolls of the various cities provided the addresses of the selected erf numbers, to which the questionnaires were sent. Addresses derived from the valuation roll were utilised to determine the relevant telephone numbers of respondents for the telephone interviews to be conducted.

As respondents were randomly chosen, a screening question was used to determine if they utilised the services of the banking industry. The questionnaire clearly indicated that if a specific service was utilised only specific sections pertaining to that service should be answered. In this manner respondents only answered questions pertaining to the service/services that they utilised. If a respondent indicated that they had not utilised any form of service from a commercial bank the respondent was replaced. The next valid figure identified by systematic sampling was used to yield the next respondent to be surveyed.

In order to ensure anonymity and to prevent double counting a separate sample of respondents was drawn for mail surveys. Respondents were given a month to respond to the mailed questionnaire, after which a reminder questionnaire was sent to the respondent. Questionnaires with accompanying self-addressed envelopes were sent. To maximize the response rate additional telephone interviews were utilised. A second completely separate sample was drawn for respondents to be surveyed via telephone. These surveys were conducted through Computer Assisted Telephone Interviews (CATI). The same questionnaire was used for both the mail and telephone survey. Telephone interviews were conducted once the mailed questionnaires have been received from respondents, so as to not duplicate those who have completed the postal questionnaire (Cant, Gerber-Nel, Nel and Kotze, 2003: 84 and 85).

The number of questionnaires received back was insufficient to warrant a truly representative sample. For this reason a second random set of respondents were selected and contacted and questioned telephonically.

Questions pertaining to income, age and gender were included within the questionnaire. These were used for analysis purposes. These questions helped classify respondents and were monitored in order to ensure a representative sample. As it is a systematic random sample a wide array of population groups are included within the sample.

Data provided in the questionnaires were analysed with the aid of a computer programme. The Statistical Programme for Social Studies (SPSS) was the preferred programme. This programme helped identify problem areas as perceived by consumers.

7.8 LIMITATIONS

The substantial number of people in South Africa using the services of the commercial banking industry was the first limitation in the study (see page 15). It is estimated that 11.3 million people utilised at least one form of service from a commercial bank. A second limitation exists in that there is no comprehensive and neutral database of all South Africans who utilised the services of the banking industry. Therefore respondents were selected randomly from the erf numbers on title deeds.

A third limitation concerned the fact that only erf numbers were utilised therefore those that do not reside in a fixed form dwelling were not considered for inclusion in the study, as there is no alternative means of reaching these respondents. A fourth limitation is that only those currently utilising the services of the commercial banks were included in the study, as they are able to evaluate the current level of service being delivered. The fourth limitation concerned the fact

that this study was limited to one metropolitan city per province, due to the substantial population size and financial considerations. The fifth limitation in relation to this study was that the study was limited to the services offered to individual clients (individuals and families) no services offered to businesses were analysed.

7.9 DATA PROCESSING

To analyse the data, cross-tabulations were utilised, whereby commercial banks and clients' answers to similar questions were recorded. Cross-tabulations allow for the consideration of the answers to one question in relation to the answers to another particular question. One-way frequency tables were utilised in order to determine how many respondents answered particular lead questions. As recommended by Smith and Fletcher (2004: 196), frequency tables were utilised for questions where there was no link between the two questionnaires.

7.9.1 Hypothesis testing

Gates and McDaniel (2004: 344) define a hypothesis as an assumption or theory made in relation to the population under study. Accordingly a hypothesis is to be stated. Two forms of hypothesis exist, namely the Null Hypothesis (H_0) and the Alternative hypothesis (H_1).

In relation to this study it was possible to derive two hypotheses. Firstly, a hypothesis in relation to the service quality levels may be derived. Hereby it is hypothesised that service quality, as delivered by commercial banks may differ based upon certain factors such as income and age. Secondly, a hypothesis in relation to industry perceptions of service delivery levels may be tested. Hereby, it is hypothesised that the level of service delivery that client's experience is the

same as that which commercial banks believe they deliver. Accordingly a two-tailed hypothesis test was conducted.

Within this study provision was made for the probability of a Type I error. According to Smith and Fletcher (2004: 42) a level of significance must be selected for the occurrence of a Type I error. Levels of significance indicated the maximum level of chance of the occurrence of a Type I error.

Gates and McDaniel (2004: 345) consider the level of significance to be the probability that is considered too low to justify the acceptance of the null hypothesis. Significance levels were therefore imperative within this study to determine the selection of either the null or alternative hypothesis. For the purposes of this study a five percent significance level was selected. This percentage is denoted as 0,5. Accordingly the null hypothesis was rejected if the test figure was higher than the tabular value of the hypothesis test selected.

Failure to reject the null hypothesis was utilised when there was insufficient evidence to reject the null hypothesis and conclude that the alternative hypothesis was correct (Cant, Gerber-Nel, Nel and Kotze, 2003: 177).

7.9.2 Test statistics

For the purpose of this study, chi-square test as a method of hypothesis testing was utilised. This method determined whether the difference between two sets of frequencies was significant in that the difference was too great to be attributed to sampling fluctuations. Chi-square is an example of a non-parametric test and is a univariate technique.

A second test statistic was also utilised, namely T-test. This method was utilised to estimate the probability that a difference between two separate population groups (namely commercial banks and clients) occurred as a result of chance.

Once the T-test had been calculated its value was compared to a value in the T-distribution table. This value was selected on the basis of a specific degree of freedom and confidence level. A calculated value below the T-value indicated no real difference, while the opposite is true (Gates and McDaniel, 2004: 197).

The data collected from the questionnaires was processed by means of a computer programme known as the Statistical Programme for Social Studies (SPSS). As this study was meant to prove or disprove the poor image of the commercial banking industry, a Chi-square test was an appropriate method of data processing. This study, while providing a clear picture of client satisfaction with services, also provided a comparison between commercial banks and clients, therefore a T-test of two independent samples was also utilised (Gates and McDaniel, 2004: 350)

Smith and Fletcher (2004: 121) identify the means of central dependency as one of the most efficient means of summarising the characteristics of large sets of data. Within this study the mean as a measure of central dispersion were utilised. Measures of dispersion utilised within the study included standard deviation and variance (Cant, Gerber-Nel. Nel and Kotze, 2003; 180).

In addition to the test statistics of Chi-square and T-tests, P-values were also utilised to analyse data for this study. Hereby the exact probability of obtaining a test statistic due to chance was calculated. The smaller the P-value the smaller the probability that the observed result occurred due to chance. According to Gates and McDaniel (2004: 353) the p-value is the most demanding level of statistical significance that can be met. Where applicable Pearson's contingency co-efficient (Pearsons C) was also conducted. The Contingency Coefficient (Pearson's C) is an adjustment on chi-square and were also utilised for data analysis in this study. These tested the strength of association across the cross tabulations – it analysed the degree to which a change in one variable was associated with changes in another. For example, to what degree did client

income levels affect service delivery by commercial banks. Degrees of freedom were utilised to determine the relevant value within the chi-square distribution table that determined whether the test figure resulted in the acceptance or rejection of the null hypothesis (Gates and McDaniel, 2004: 372).

7.10 CONCLUSION

Research methodology refers to the methods whereby the data will be collected, analysed and interpreted by the researcher. Researchers are required to make decisions in relation to the types of data, data collection methods and the means utilised to analyse the collected data. Imperative within this decision-making process is the research problem and sub-problems identified. All research methodology to be employed must assist in the creation of a solution to the research problem. The following chapter will concern the empirical study and the results derived from the empirical study.

CHAPTER 8

RESULTS OF THE EMPIRICAL STUDY

8.1 INTRODUCTION

The empirical study refers to the practical implication of the study. There were two separate groups of respondents namely, clients and commercial banks. Related survey methods were utilised in the gathering of data from these respondent groups. A hybrid of research methods was utilised in relation to the client respondent group. The first stage of the research entailed respondents receiving mailed questionnaires, which they were required to complete and return to the researcher.

The second stage was comprised of computer assisted telephone interviews (CATI). Hereby, interviews were conducted with respondents and entered directly into the computer database. As mentioned in the previous chapter, a separate random sample was selected for respondents targeted telephonically. All open questions were coded and entered into the database via adaptation of the questionnaire to reflect the coded alternatives (see Appendix A page 433). As the population was an estimated 11.3 million, it was not possible, due to financial constraints, to a sample size of 100 000 or greater. Therefore, with the budgetary constraints only a sample of 2 000 could be selected. In addition, reference to the South African Satisfaction Index (SAS index), the body that conducts regular research into the South African banking industry, completed over repeated periods yielding results with an average of 300 to 400 respondents. In 2005 the SAS index was conducted with the highest number of respondents – a total of 430 respondents. It would thus appear that respondents' typically yield low response rates in this industry. A total of five hundred and fifty (550) responses were obtained from a sample of 2 000.

The population size of this industry is considerable. From this extensive population a sample of 2 000 was selected. The determination of this figure was based upon financial constraints and represented the largest size affordable. Validity was given to this sample size through the use of a sample size calculator (Sample size calculator, [n.d.]: online). Via the use of algorithms it was possible to determine the required sample size from the population with a 95% confidence level and a 5% margin of error. Through this calculation it was determined that a sample size of 384 would be the preferred. Therefore, the selected sample size of 2 000 and the subsequent 550 obtained responses both exceed this preferred amount.

Commercial banks were reluctant to provide a list of their clients and relevant contact details. As indicated by Fitzgibbon and White (2005: 215) in chapter 3, data contained in client databases should be confidential. Non-willingness to supply this information indicates that commercial banks subscribe to this theory. Due to these reasons respondents were systematically randomly chosen from title deeds, these were interpreted into physical addresses and telephone numbers. Due to the costs associated therewith cell-phone numbers were excluded and respondents with landlines were targeted. Accordingly, all potential respondents without physical mailing addresses or landlines were excluded as these respondents were not accessible. To ensure a representative sample a selection technique, similar to that employed by Ipos-Markinor was utilised (Greyling, 2008: email). Hereby, the population size per province was divided by the selected sample size per province – a proportionate sample. This figure was further divided according to the number of residential erven per suburb. The higher the number of erven in the suburb, the higher the number of respondents selected therefrom.

A pilot study was conducted from 19 March 2008 to 23 April 2008 in order to test the questionnaires. Refer to previous section 7.4.1 page 192 for further details as to the number of respondents selected, as well as the errors identified. The

empirical study was conducted from 25 April 2008 to 21 July 2008. Within this time period both the mail and the telephone interviews were conducted. Respondents were allocated ten (10) working days in which to complete the questionnaires. The mail questionnaires were disseminated first. The first round began 25 April 2008 to 12 May 2008. Round two spanned from 14 May 2008 until 28 May 2008, while round three began on 17 June 2008 and was completed on 30 June 2008. Telephone interviews were then initiated. Each round of telephone interviews was conducted on a weekly basis from 1 July 2008 until 21 July 2008. At the end of each consecutive week the results were assessed and a new sample was selected.

In an effort to increase the response rate, four separate rounds of mail questionnaires were employed in order to obtain responses. Due to the anonymity, as well as to prevent double counting of questionnaires, each round required selection of a new sample. Furthermore, each subsequent round yielded lower responses than previous rounds. A total of ten percent of respondents were obtained via mail survey. Telephone surveys were then employed to obtain more responses. Numerous separate rounds (three) of telephone interviews were utilised, so as to avoid contacting respondents who had previously declined to participate. Respondents were not always available during the call period or requested to be re-contacted at a later stage. This added to the already high cost of this method. The final round of telephone interviews heralded the depletion of funds and resources. Accordingly, the researcher was compelled to accept 550 respondents as the final total.

To ensure a more viable sample, regular reviews of the data were conducted. In instances where a skewness of data was observed attempts were made, via telephone interviews, to obtain balanced respondents in all groups. Difficulty was encountered in reaching respondents in low-income groups; these respondents do not possess a landline and do not return mailed questionnaires. In relation to gender, male respondents did not depict a willingness to complete either the mail

or telephone questionnaires. Numerous attempts were made to target more males, however, males either declined or indicated that their female partners be contacted.

In relation to the commercial banks respondent group, all four major commercial banks (ABSA, First National Bank - FNB, Standard Bank and Nedbank) received questionnaires. Reference to section 7.7.2.1 page 201 highlighted that the client service managers of the banks were the selected target group. Questionnaires were e-mailed to the relevant parties. After numerous attempts to contact the client service managers of the relevant commercial banks, re-submissions of the questionnaires and the enlisting of local regional managers aid, completed questionnaires were obtained from all four banks.

The results of the research are presented in the format of bar graphs, pie charts, frequency tables and cross-tabulations. In instances where the total percentage exceeds 100%, respondents were able to select more than one option. Certain tables may yield less than 100% figures. As this questionnaire allowed for clients to select the services they utilised, “not answered”, “don’t know” or “not applicable” answers were allowed to be selected. These not answered percentages resulted in the data being skewed; resulting in extremely low percentages being recorded for utilisation. It was therefore deemed necessary to remove these “not answered” percentages. All table and figures therefore represent the utilisation rates of those respondents actually utilising these services. Furthermore, there were certain instances where respondents were able to select ‘other’, ‘not applicable’, ‘don’t know’ or refused to answer particular questions. There is no statistically viable manner to determine to which category these respondents belonged. As such, these responses were eliminated and only measured responses were included. The following tables do not cumulate to 100%: (Tables 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, 8.13, 8.14, 8.16, 8.19, 8.20, 8.22, 8.25, 8.26, 8.27, 8.29, 8.30, 8.32, 8.34, 8.35, 8.37, 8.38, 8.40, 8.41, 8.43, 8.45, 8.46, 8.48, 8.49, 8.50, 8.51, 8.53, 8.55, 8.56, 8.58).

To be able to conduct statistical and mathematical calculations, response alternatives were weighted, thus creating a scale. Hereby data contained in grouped questions was efficiently reduced to a single numerical score (an index figure). To illustrate, scores were assigned to patterns of responses such as “always”, “seldom”, “frequently” and “neutral”. The statistical calculations of mean, standard deviation and variance were calculated on group questions. Mean scores were calculated on the weights loaded in the response categories of group table questions. It is important to note that while the mean provides information about the general level of a set of scores, it provides no information about how much variance exists. Accordingly the standard deviation was utilised in order to determine the degree to which responses differed in relation to a particular question variable.

The analysis of results has been divided into four sections. Section one concerns the analysis of the client’s questionnaire. Section two analyses the commercial banks’ responses while section three consists of the cross tabulations in relation to the clients as well as commercial banks. Section four comprises the statistical analysis of the data.

8.2 ANALYSIS OF RESPONSES

Responses obtained from the questionnaires that were disseminated are analysed in two separate groups namely client responses and commercial bank responses.

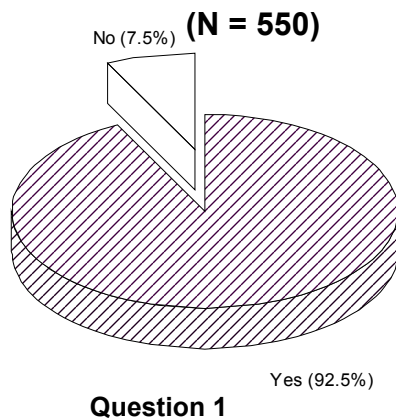
8.2.1 Client responses

The primary target group for client responses included all respondents who currently utilised or had recently utilised the services of commercial banks. However, a small percentage of respondents who did not or do not utilise the

services of the commercial bank were also reached. The client questionnaire was divided into separate sections per specific service group delivered. Therefore there is a separate section for personal banking, investment banking, loan services, foreign exchange and general banking services, as such the analysis is divided according to these sections as well.

Furthermore, this section provides an overview of the responses for the industry as a whole. Consequently, the results are formulated in the same sequence as they appear within the questionnaires. Further analysis, as conducted in Section 8.3, will result in variables being arranged chronologically to facilitate analysis. Of the 550 responses obtained, 41 respondents indicated they had not utilised the services of a commercial bank. Therefore the sample size of respondents utilising the services of a commercial bank was five hundred and nine (509). This information is depicted below.

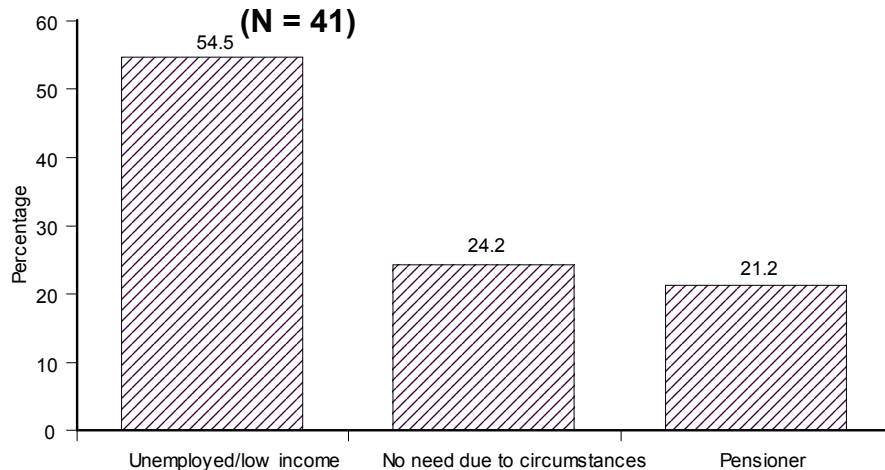
Figure 8.1: Use of banking services



As seen 92.5% of the sample respondents indicated that they were currently utilising a service/s delivered by a commercial bank. Respondents, in the sample, not utilising the services of a commercial bank were recorded as 7.5%. The small percentage of non-respondents was questioned, via an open question, as to the reasons for not utilising the services of a commercial bank. This figure supports the findings by the SA business Survey (page 15), that a large

percentage of South Africans utilise the services of the commercial banking industry.

Figure 8.2: Reasons for Non-use



Question 2: coded

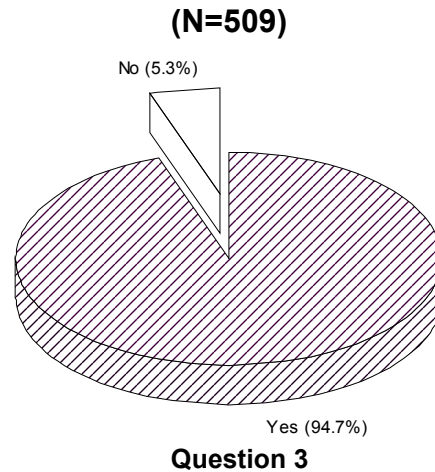
The answers were coded and the relevant responses were allocated to the various categories. These responses have been depicted graphically in figure 8.2. The largest percentages of respondents (54.5%) do not utilise the services of a commercial bank due to lack of employment or insufficient income. The remaining reasons for non-use are relatively lower percentage wise, eight of the respondents (24.2%) indicated that they do not utilise the services due to a lack of need, while 21.2% of respondents cited being a pensioner as the main reason for non-use. As pensions are deposited directly into bank accounts it is likely that respondents did not previously earn salaries (for example homemakers), as such the pensions are not paid into bank accounts. Furthermore, it is still possible for South African citizens to collect government pensions in person rather than have them deposited into bank accounts.

8.2.1.1 Personal banking

Personal banking is regarded as the first section of services delivered by commercial banks. The “N” value therefore depicts the number of respondents

who indicated that they did utilise the services of the commercial banks, as indicated within section 5.4.2 (page 138) of the literature study.

Figure 8.3: Use personal banking services



Question three provides the basis for subsequent questions as it indicates of the sample how many respondents utilised this category of services. On the basis of this question respondents were then questioned as to the services they utilised. In relation to the objectives of the study these high percentages indicates that a lack of service delivery is not relevant in this regard. Of the respondents who use the services of a commercial bank, the majority (94.7%) indicated that they utilised the personal banking services delivered by a commercial bank. It is therefore possible to conclude that personal banking services are utilised by the overwhelming number of respondents.

8.2.1.1.1 Services utilised and satisfaction

Four hundred and eighty-two (482) sample respondents indicated using some form of personal banking services. Respondents were required to indicate which of the personal banking services they utilised and their satisfaction with the service delivery they received. Services utilised form the basis on which to determine sample respondent satisfaction. By first determining the service utilised and then satisfaction, error of respondents indicating satisfaction with

services not utilised was marginally reduced. It also serves the purpose of providing an indication of potential service areas not extensively utilised, and may be examined in relation to client perceptions of service delivery (one of the sub-objectives of the study).

Table 8.1: Personal banking services utilised and satisfaction
(N = 482)

Deposits	Yes	No	Total Dissatis.	Total Satisf.
Deposits	84.0%	16.0%	4.7%	95.3%
Credit cards	63.3%	36.7%	8.2%	91.9%
Debit cards	70.5%	29.5%	6.2%	93.8%
Telephone banking	13.9%	86.1%	23.9%	76.1%
Cellphone banking	15.4%	84.6%	14.9%	85.2%
Internet banking	41.3%	58.7%	4.5%	94.4%
Debit orders	79.0%	21.0%	8.2%	91.3%
Savings options	53.1%	46.9%	10.1%	89.1%
Other	2.1%	97.9%	16.7%	33.3%

Question 4.1 a and b

This table does not equal 100% please refer to the introductory paragraph page 215 for a further explanation. While “Other” services were indicated by 2.1% no respondents indicated what these services where in Question 5.

(i.) Services utilised

The research has indicated that the most utilised service, relatively, are deposits as 84.0% of respondents indicated that this service was utilised. As propagated in section 5.4.2.1.1 (page 139) a deposit account is the oldest form of bank services. Furthermore, it is possible to state that this banking service forms the basis of other banking services such as debit cards, due to the fact that money is subtracted from these deposits, it also ensures that client funds are secure and safe. Slightly over half of respondents (53.1%) indicated savings options were utilised. On the opposite end of the scale, we may note that most respondents, as not being utilised, cite telephone banking (86.1%) and cell-phone banking

(84.6%). Reference to comments made by respondents indicate that respondents who had utilised the services had experienced difficulties with the call centers, which were created to deliver and provide support assistance to clients costs and increasing profitability. In relation to Internet banking only 41.3% of respondents indicated that they utilised this service. However, consideration of South Africa's economic and social situation will assist in explaining this situation. Furthermore, Internet banking has only recently been introduced into the South African commercial banking industry, therefore it is also still in the introduction/growth stage of the lifecycle.

(ii.) Satisfaction with services

As may be seen from Table 8.1, most respondents indicated that they were satisfied with the services that they utilised and were therefore possessing favourable perceptions and satisfaction levels in relation to personal banking services. Consequently, in relation to the problem statement, it is possible to state that respondents on an overall basis do not possess lower satisfaction levels in relation to personal banking services. In relation to overall satisfaction, a majority of respondents (94.4%) who utilised Internet banking were satisfied with the services received, while 95.3% of respondents utilising deposits were satisfied. As this service is also indicated as the most utilised service this is a good indication of the quality of service delivery by commercial banks.

Telephone banking was the service where respondents yielded the lowest relative level of satisfaction (76.1%). This is between 7.2% and 19.2% lower relative to other services. Respondents who utilised this service were not satisfied and as such may decrease use of the service and not encourage other clients to utilise this services. Respondents therefore indicated a lack of service delivery and satisfaction in relation to the call centers supporting the telephone banking service. Overall sample respondents appear generally satisfied with the personal banking services offered and delivery thereof by commercial banks. In

relation to the objectives of this study it may be determined, that clients do not possess overall low satisfaction levels and perceptions in relation to personal banking.

8.2.1.1.2 Explanation of services and satisfaction

Respondents were further questioned as to whether the personal banking services – terms and conditions – that they utilised had been explained to them when they were selecting the service. Respondents were only required to indicate if the particular service that they utilised had been discussed with them. The N-value recorded indicates the cumulative value of respondents who indicated the use of personal banking services, and does not depict the use of the individual services.

**Table 8.2: Explanation of services and satisfaction
(N=482)**

Deposits	Yes	Total Dissatis.	Total Satis.
Deposits	69.7%	10.7%	86.3%
Creditcards	59.8%	9.7%	87.5%
Debitcards	62.6%	8.0%	90.1%
Telephonebanking	14.1%	20.6%	76.5%
Cellphonebanking	14.7%	25.0%	70.9%
Internetbanking	35.7%	12.3%	86.5%
Debitorders	68.3%	9.4%	87.9%
Savingsoptions	53.3%	14.7%	83.4%
Type of transaction	72.0%	11.2%	87.4%
Interestrates	65.1%	20.7%	78.3%

Question 6.1.a and b

As noted within the literature study, the Usury Act, National Credit Act and the Code of Banking practice (page 160 to 162) all specify that clients need to be provided with all relevant information in their banking experiences. As such it is required that commercial banks explain the services utilised / selected to the

client to comply herewith. Respondents were asked to identify if the service that they utilised had been explained to them.

(i.) Service utilised

As may be derived from the Table 8.2, 72.0% of sample respondents indicated that the types of transactions available had been explained to them. Only 69.7% of respondents indicated that deposit accounts - the most utilised service - had been explained to them. Different limits to the number of withdrawals per bank, costs legislative requirements, restrictions on deposit amounts, preferred deposit procedures, for instance may differ between the commercial banks, as such they should be explained when a deposit account is opened. Furthermore, provision for first time users should be made. This will also ensure that any legislative changes are communicated to clients.

When this information is analysed in relation to the previous question (Table 8.1), it is noted that frequently utilised services do not derive large percentages of respondents indicating that the service had been explained to them. Respondents may therefore be selecting services based on word-of-mouth or less than accurate information and as such not selecting services best suited to their needs. Internet banking, cell-phone- and telephone banking recorded below fifty per cent of respondents (35.7%, 14.7% and 14.1%) answering that these services had been explained to them. As cell-phone- and telephone banking yield the most dissatisfied respondents, perhaps more detailed explanations of the service may help make clients more aware of the services and what that may entail.

Overall less than 70% of all respondents utilising specific services indicated that the specific service that they utilised was explained to them. This is not an ideal percentage and when translated into the total population this may represent millions of respondents not receiving this service. Respondents are thus not

provided with the information necessary to make decisions. This also indicated non-compliance with the Code of conduct as specified in section 5.5.2.3 (page 161).

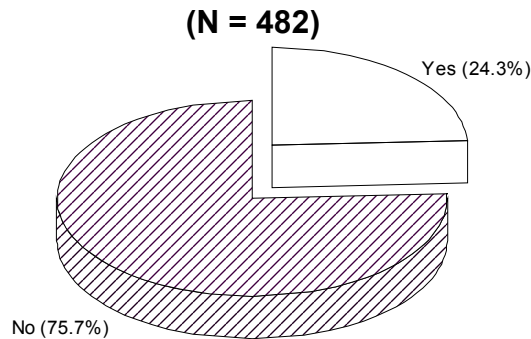
(ii.) Satisfaction with explanation

The highest percentage of responses is concentrated within the satisfied category. Therefore, it is possible to conclude that generally those respondents, who indicated that the personal banking services were explained, were satisfied with the explanation and the service delivery. Analysis of overall satisfaction levels depicts that seven of the ten service area explanations, recorded higher than 80% levels of satisfaction. Cell-phone banking, telephone banking and discussion of interest rates yielded the highest number of dissatisfied respondents.

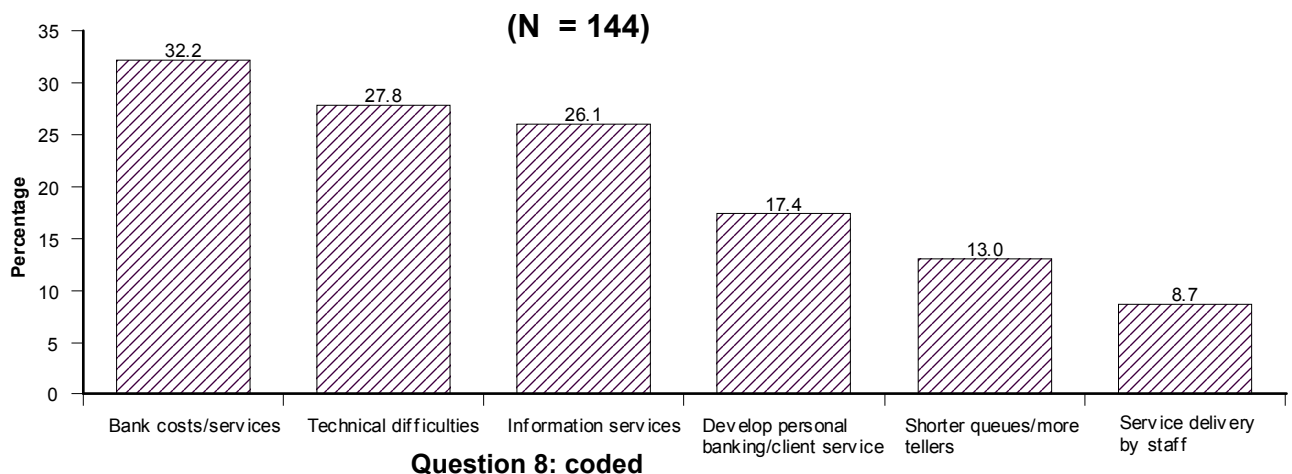
A quarter (25%) of respondents, were dissatisfied with the explanation of cell-phone banking, 20.7% of respondents were dissatisfied with the explanation of interest rates 20.6% dissatisfied with telephone banking explanations. These percentages are less than optimal as all respondents should be satisfied with the explanations they received. Dissatisfaction with explanations could ultimately result in dissatisfaction of the service and service quality; thus negatively affecting profit margins.

8.2.1.1.3 Overall dissatisfaction with personal banking services

A separate question was created to question respondents as to whether there were any aspects of their personal banking experience with which they were dissatisfied. Hereby respondents were able to identify the specific aspects with which they were dissatisfied, as well as the reasons for this dissatisfaction.

Figure 8.4: Dissatisfaction with personal banking**Question 7**

Slightly over three-quarters of respondents (75.7%) indicated that there were no areas with which they were dissatisfied. In connection with the high levels of satisfaction indicated in prior questions, this confirms that on an overall basis clients are satisfied with personal banking services. Dissatisfied respondents may elect to utilise the service of an alternate bank, therefore decreasing market share and creating negative image perceptions. In relation to personal banking services we may assume that commercial bank clients are satisfied with the service they received.

Figure 8.5: Reasons for dissatisfaction

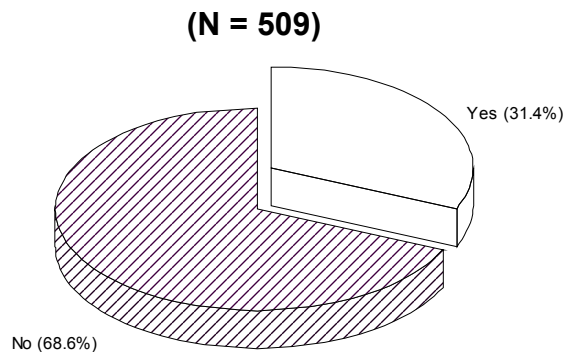
Respondents were permitted to select more than one singular reason for dissatisfaction. Over thirty percent (32.2%) of respondents cited bank costs/services as the reason for dissatisfaction. Lack of information/information

and technical difficulties with services were also cited as contributing factors for dissatisfaction. As stated by Hupp and Powaga (2004: 227) price / cost is often a determinant of client perceptions and satisfaction with quality. Respondents may be prepared to pay higher costs for superior service. If they perceive that they pay high costs for standard service it may create dissatisfaction. Inferior service delivery accompanied by high costs will increase dissatisfaction levels thus creating poor commercial banking perceptions.

8.2.1.2 *Investment banking*

Investment banking comprises the second section of services delivered by the commercial bank. Responses to these questions are discussed below.

Figure 8.6: Use of investment banking services



Question 9

Only 31.4% of sample respondents indicated that they utilised investment banking. Consequently, this service provides a market that is not extensively utilised. Due to the current economic situation, it may be probable that South African citizens currently do not have the funds available to invest substantially.

8.2.1.2.1 Investment services utilised and satisfaction

Only 160 sample respondents indicated that they used some form of investment banking from commercial banks. As the purpose of the study is to determine the

quality of service delivery and client satisfaction, it is essential that the service delivered first be determined and then the satisfaction therewith. This information may also prove beneficial as it indicates areas that may be improved. These figures related to an overview of the data and are not linked to a specific commercial bank. This table does not equal 100% please refer to the introductory paragraph on page 215 for further explanation.

Table 8.3: Investment banking services utilised and satisfaction
(N = 160)

Service	Yes	Total Dissatis.	Total Satis.
Trusts	29.4%	12.8%	86.7%
Investment Deposits	61.9%	10.1%	88.9%
Unit trusts	30.6%	20.4%	79.6%
Off-shore investments	8.1%	23.1%	76.9%
Mutual funds	6.9%	0.0%	100%
Annuities	23.8%	2.6%	97.4%
Money Market Accounts	35.6%	5.3%	94.7%
Retirement funds	29.4%	6.4%	93.7%
Shares	9.4%	26.6%	73.3%
Insurance	39.4%	8.0%	92.1%
Explanation	66.9%	13.1%	85.1%
Other	0.6%	100%	0.0%

Question 10.a and b

(i.) Services utilised

Investment deposits were the most utilised service by sample respondents (61.9%). This was between 22.5% and 26.3% higher than the next most frequently utilised services – insurance and money market accounts. In relation to the explanation of services as delivered by commercial banks – only 66.9% of respondents indicated that this service was utilised. The least utilised service was mutual funds (6.9%), which was 55% less than investment deposits. Relative to the use of personal banking services, which were utilised by more

than eighty percent (80%) of respondents. These services are not extensively utilised by respondents. It therefore indicates a service category that may be further developed in order to deliver services that are more accessible and desirable for clients. Investment services, such as offshore investment and mutual funds, which require greater initial investment, are the least utilised. This supports the assumption that investment services are not extensively utilised due to economic conditions. Few clients (0.6%) indicated that “Other” services were utilised, however, none what these other services were in Question 11.

(ii.) Satisfaction with investment banking services

In relation to overall satisfaction levels, mutual funds yielded a complete satisfaction level (100%). None of the respondents utilising this service were dissatisfied with the service delivery however; very few respondents utilised this service. Explanation of investment services yielded only 85.1% of respondents indicating satisfaction with this service, this percentage is lower than the required 100%. Investment banking involves more complex banking services; therefore commercial banks need to ensure that they provide detailed and clear explanations which will satisfy clients. This is between 1.6% and 14.9% lower than the most satisfactory services, and indicates that clients are not as satisfied with the delivery of these services.

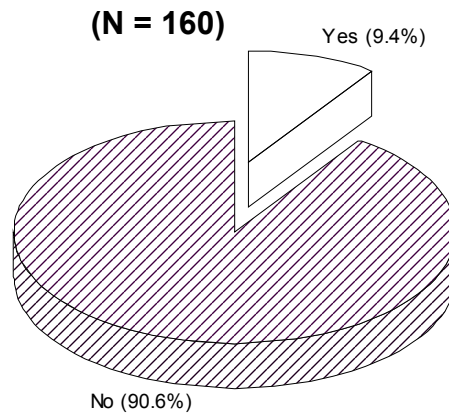
Share satisfaction levels are between 3.6% and 26.7% lower than the other services. Shares were utilised to a significantly lower degree than the other services. Linked to this is the finding that the respondents who utilised these services were less satisfied. Projection of these figures into the population as a whole may possibly result in a significant number of dissatisfied respondents. Service delivery is thus not optimal. Unit trusts are approximately between 5.5% and 20.4% lower than the services indicated as more satisfactory. Unit trusts are more extensively utilised than shares, however the satisfaction levels are lower relatively. Thus it is possible to conclude that commercial banks do not deliver

superior service quality in this regard either. In relation to offshore investments the percentage differences range from between 8.2% to 23.1% for services indicated as those satisfactory. This indicates a lower level of service delivery and consequently lower satisfaction levels.

8.2.1.2.2 Overall dissatisfaction with investment banking services

Respondents utilising investment-banking services were questioned as to whether there were any specific areas with which they were dissatisfied. Hereby respondents were able to mention any areas not addressed by questions within the questionnaire.

Figure 8.7: Dissatisfaction with investment banking



Question 12

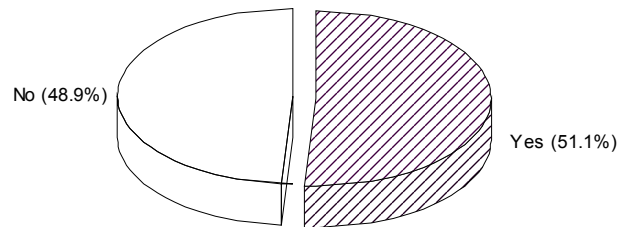
As seen in Figure 8.7, the majority of respondents (90.6%) indicated that there were no areas of investment banking with which they were dissatisfied. While a small percentage of respondents indicated that they utilised investment services those who utilised the services were satisfied with the quality of service delivery they received. Respondents who indicated dissatisfaction were not prepared to indicate the specific areas (via the open question), despite prompting, with which they were dissatisfied. In relation to research objectives, it is possible to indicate that the problem statement of poor service delivery / satisfaction is not in relation to investment banking services and clients are overall satisfied with these

services. The few respondents indicated that they were dissatisfied with their overall investment banking experience, elected not to indicate the specific areas with which they were dissatisfied as requested in Question 13.

8.2.1.3 *Loans*

A higher percentage of respondents (51.1%) indicated that they utilised loans as a commercial bank service than in relation to investment banking. In accordance with section 5.4.2.3 (page 149), loans form the third section of services offered by commercial banks.

Figure 8.8: Utilisation of loan services
(N = 260)



Question 14

Figure 8.8 indicates that an almost equal number of respondents indicated that they utilised some form of loans (51.1%) as to those that did not (48.9%). These services contribute a substantial portion to the commercial banks profitability and income as they generate regular income in the form of interest payable. Furthermore, these services also require a longer-term relationship with the client that may span over years and as such client needs may change and develop and commercial banks need to remain aware of this.

8.2.1.3.1 *Loan services utilised and satisfaction*

Only respondents who indicated that they utilised loan services were required to indicate the services utilised and satisfaction therewith.

Table 8.4: Loan services utilised and satisfaction therewith**(N = 260)**

Service	Yes	Total Dissatis.	Total Satis.
Residential loans	61.2%	8.8%	90.5%
Building Loan	15.4%	10%	87.5%
Personal Loan	45.4%	7.6%	92.3%
Vehicle finance	48.5%	5.6%	94.4%
Student loan	20.8%	18.6%	81.5%
Explanation	77.3%	8%	91.5%
Other loans	1.2%	0%	100%

Question 15.a and b**(i.) Services utilised**

As seen in Table 8.4 more than half of the respondents (61.2%) indicated that they utilised residential loans. This indicates that commercial bank clients utilise residential loans more than the other services offered by commercial banks. This may be as a result of services being offered by non-financial institutions (such as RCS) as well as the current economic situation with high interest rates deterring clients. Less than a quarter of respondents indicated that they utilised student and building loans (20.8% and 15.4%) respectively. While over three-quarters (77.3%) of respondents indicated that loan services were explained to them this figure is still not ideal. As determined in section 2.3.2.1 (page 40), clients are entitled to receive discussions / explanations of the service they received. This percentage is therefore low and may indicate a lower level of service delivery of a required, obligatory service. The 1.2% of respondents who indicated that “Other” loan services had been utilised did not complete question 16, where these other services were to be specified.

(ii.) Satisfaction with loan services

Explanation of services was recorded by 91.5% of sample respondents as being overall satisfactory. In terms of overall satisfaction, all services recorded

percentages of over 80%. Thus it would be possible to conclude that respondents are generally satisfied with the delivery of loan services. Vehicle finance was recorded by 94.4% satisfactory. These high percentages indicate a satisfaction with the services and service delivery. Satisfaction levels even with relatively lower rates may be translated into a finding of overall satisfaction with the loan services offered by the industry. Student loans were, however, only cited by 81.5% of respondents as satisfactory. Relative to the other loan services this percentage is between 6% and 12.9% lower than the other services. This indicates a lower level of service delivery, as it is critical that all clients are satisfied with the service they received. As such it may indicate lower qualities of service delivery resulting in dissatisfaction. Student loans may be the first experience that clients have with loans and as such forms the basis of client expectations and perceptions for future loan agreements. This service also has the highest level of dissatisfied respondents (18.6%).

8.2.1.3.2 Explanation of services and satisfaction

The explanation of the services forms an integral role in service delivery, it is required by various regulatory bodies. Furthermore, it provides clients with the necessary information to assist them to adequately evaluate service delivery and thus determine satisfaction levels.

As advocated by Brenner (2007: 8 to 10) communication and information are essential in influencing clients. It is for this reason that clients were asked to identify if core areas were explained to them. Only services that were utilised by the respondent were required to be explained to them and their satisfaction therewith. Alternate service explanations may be provided if requested by clients.

Table 8.5: Explanation of loan services and satisfaction
(N = 260)

Service	Yes	Total Dissatis.	Total Satis.
Procedure for loan	90.8%	6.4%	92.8%
Determination	83.8%	7.8%	91.3%
Timespan for approval	90.8%	8.0%	91.5%
Requirements	93.1%	5.0%	94.6%
Fees and costs	88.8%	16.0%	83.1%
Interest charged	90.0%	19.6%	80.5%

Question 17.a

(i.) Discussion of services

Over eighty percent of respondents have indicated that the core areas were discussed by commercial bank staff. This clearly indicates that commercial bank staff is aware of the main areas to be explained to clients and their importance. Requirements were cited by 93.1% of respondents as being discussed. Clients are therefore, entitled by law, to receive a detailed explanation of what these costs entail, when they are to be paid and other related items. Only 88.8% of respondents indicated that fees and costs were discussed with them, while 90% indicated that interest charged was discussed. This figure is 4.3% lower than the most discussed aspect requirements (93.1%).

As this is a critical element of all service delivery this non-explanation indicates sub-standard delivery of service. Banks appear to focus primarily on discussing what they required from clients, than providing clients with the information they need to make decisions. Fees and costs comprise an important aspect and thus are also required by law to be discussed with clients. Non-deliverance of this service may create negative perceptions of the industry. The determination of granting a loan was also cited by a lower percentage (83.8%), as being

discussed. This is 9.3% lower than requirement discussions and indicates a significant variation in the service delivery.

(ii.) Satisfaction with the explanation of loan services

It is possible to deduct from Table 8.5 that respondents are generally satisfied with the explanations they received. In relation to overall satisfaction levels all services, with the exception of interest rates charged and fees / costs, recorded over ninety percent of satisfied respondents. However, in relation to fees and costs, less than 90% of respondents were satisfied with the explanation they received. These aspects represent the primary obligation on the part of the client. It is therefore imperative that these aspects are discussed in such a manner that it is satisfactory to all clients. Interest rates (80.5%) and fees / costs (83.1%) were cited by a relatively lower percentage of respondents as satisfactory. Interest charged is rated by 14% fewer respondents as satisfactory than requirement discussions, while fee / costs are 11.5% lower. This indicates lower qualities of delivery and lower satisfaction levels. This corresponds with the tendency noted by Hawkins (section 5.4.2.3.1.2 page 151) that interest rate and costs form controversial aspects with which clients are seldom satisfied.

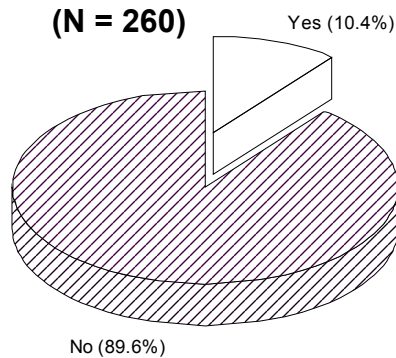
8.2.1.3.3 Overall dissatisfaction with loan services

This question provided respondents the opportunity to indicate their perceptions and satisfaction levels, as well as identifying any problem areas.

As seen in Figure 8.9 that over three-quarters (89.6%) of respondents did not have any area of loans service with which they were dissatisfied. Such a substantial percentage further re-enforces the finding that clients are satisfied with the service delivery they received in relation to loan services. Dissatisfaction in one area may result in negative perceptions being formed, which may then

spread towards other service areas of the bank. It may also indicate lower client perceptions of service quality.

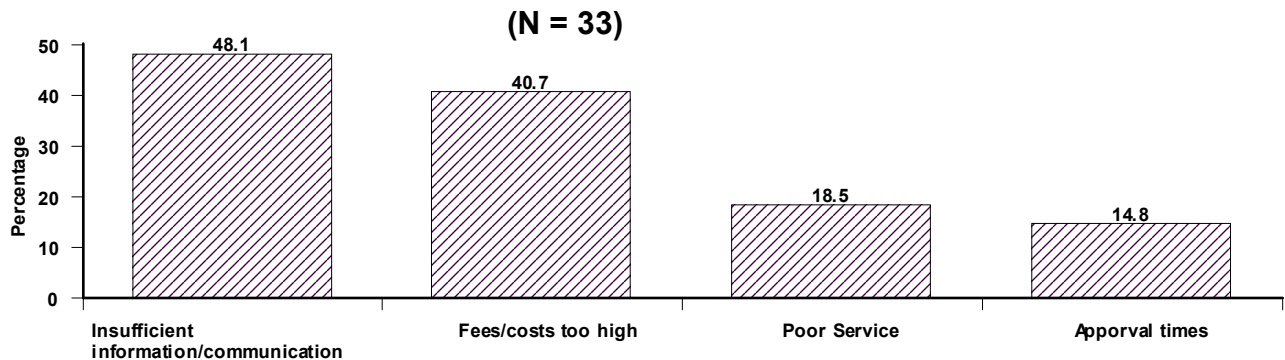
Figure 8.9: Dissatisfaction with loan service



Question 18

Respondents who indicated that they were dissatisfied were questioned to determine the areas with which they were dissatisfied.

Figure 8.10: Reasons for dissatisfaction



Question 19 – coded

The 33 (10.4%) respondents who indicated that they were dissatisfied were required to specify in which respect they were dissatisfied. It is possible to determine from Figure 8.10 that almost half of the respondents (48.1%) cited insufficient information and communication as the reason for dissatisfaction. While only 10.4% of sample respondents were dissatisfied, this could be considered to be 1.3 million of all commercial bank clients, of which 625 300 were dissatisfied as they did not receive sufficient information. Accordingly, it is

possible to conclude that the new regulations propagated in the NCA (section 5.5.2.3 page 161) will ensure that these specific client requirements are met.

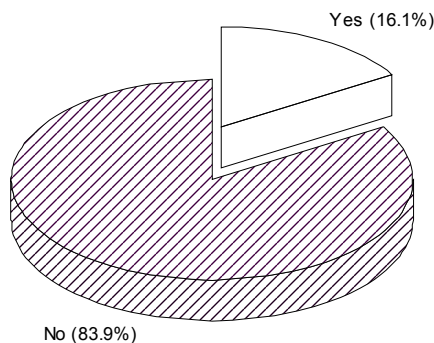
A viable percentage (40.7%) of the 33 respondents also cited the fees/costs aspect as being a contributing factor. While it may be argued by some that clients have the tendency to complain about high costs, only a small percentage of all respondents specifically indicated dissatisfaction with the fees (only 13 of the 33 dissatisfied respondents out of a sample of 509). It may therefore be stated that these dissatisfied respondents received service delivery that was not optimal and therefore felt dissatisfied with the fees / costs they were required to pay. These respondents further supported the desire to receive information and communication to a greater extent. A smaller percentage cited poor service by staff and approval times as the reasons for dissatisfaction.

8.2.1.4 *Use of foreign exchange*

Respondents were required to indicate whether they had utilised the foreign exchange services as delivered by commercial banks.

Figure 8.11: Foreign exchange service

(N = 82)



Question 20 and 21

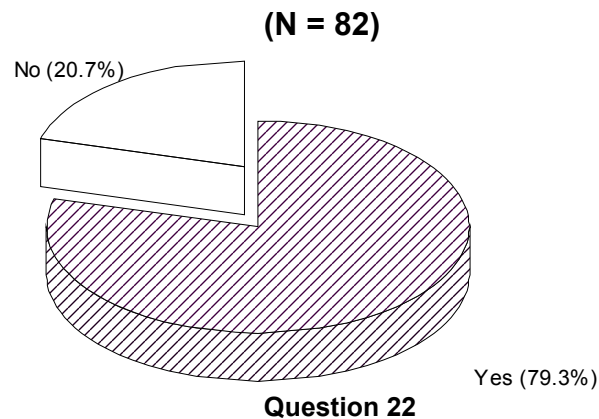
Respondents were asked whether they had purchased any foreign currency from a commercial bank. Of the 509 respondents who use bank services only 82

(16.1%) indicated that they had utilised the foreign exchange services of a commercial bank. This finding supports the statement by He (section 5.4.2.4 page 156) that this service is not prevalently utilised by clients.

8.2.1.4.1 Explanation of foreign exchange services

Respondents who had utilised the foreign exchange services from commercial banks were required to indicate if they received an explanation as to how the service worked. The N-value therefore represents the respondents who had utilised the foreign exchange service. As stated by Brenner (section 2.3.2.1 page 40) respondents should receive information in a clear and logical manner, to enable them to make beneficial decisions. As such services should be explained to them.

Figure 8.12: Explanation of foreign exchange service

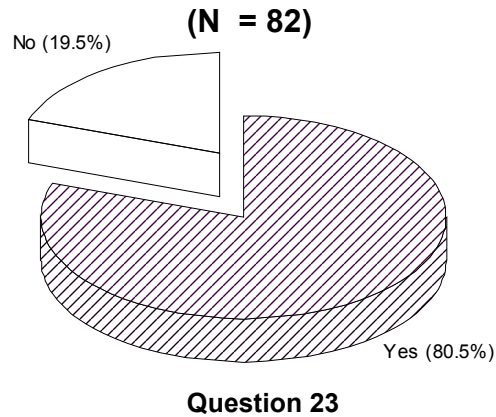


It is possible to determine from figure 8.12 that over three-quarters (79.3%) of respondents indicated that commercial bank staff explained the procedure for purchasing foreign exchange to respondents. It may be concluded that these respondents who did not receive explanations (20.7%), therefore purchased and utilised a service without the necessary information.

As specified by the National Credit Act and the Code of Banking Practice (section 5.5.1 page 157), all services are required to be explained to clients when the

service is delivered. Consequently, these respondents did not receive the mandatory service delivery.

Figure 8.13: Satisfaction with foreign exchange service



Respondents who had utilised the foreign exchange service were required to indicate if they were satisfied with the services delivered. As may be seen, 80.5% of respondents indicated that they were satisfied with the service received. This finding together with the overall satisfaction experienced by respondents may conclude that commercial bank clients are satisfied with service delivery that they receive from the commercial banks within South Africa.

8.2.1.5 *General banking experience*

In relation to this question all respondents who utilised the services of a commercial bank were required to indicate their satisfaction with relation to aspects indicated in Table 8.6. All respondents who utilised any form of commercial bank services were required to indicate their satisfaction with general banking services to determine overall satisfaction levels and perceptions of the industry. This table does not equal 100%, refer to the introductory paragraph on page 215 for further explanation.

In relation to this aspect staff specific questions were introduced. Furthermore, these questions represent all aspects that can not be assigned to one singular

service category (for instance personal banking). As such these aspects may be utilised across all services and are therefore considered general in nature.

Table 8.6: General banking experience

(N = 509)

Aspect	Very dissatisfied	Dissatisfied	Satisfied	Very satisfied	Total Satis.
Understand my banking	3.1%	10.8%	69.0%	16.1%	85.1%
Way relationship develop	8.8%	17.5%	57.0%	16.3%	73.3%
Services offered	3.3%	10.0%	67.6%	18.7%	86.3%
Products offered	4.3%	5.1%	68.6%	18.9%	87.5%
Quality service perception	4.3%	10.4%	64.4%	20.2%	84.6%
Satisfaction	2.8%	13.2%	66.0%	17.7%	83.7%
Service delivery by staff	4.3%	12.4%	61.7%	21.4%	83.1%
Friendliness of staff	3.5%	10.0%	62.9%	23.4%	86.3%
Staff Knowledgeable	4.7%	13.8%	63.9%	16.9%	80.8%
Staff interested in needs	6.9%	16.9%	60.9%	14.3%	75.2%
Ease of use of systems	1.2%	5.9%	68.0%	22.4%	90.4%
Facilities convenient	1.4%	6.5%	71.7%	19.4%	91.1%
Bank costs	16.3%	21.8%	52.8%	8.6%	61.4%
Management of investment	2.8%	4.1%	51.7%	10.0%	61.7%
Bank keeps me informed of changes	9.4%	14.1%	61.7%	13.9%	75.6%

Question 24

Only 73.3% of respondents indicated that they were satisfied with the manner in which commercial banks developed relationships. This is 17.8% lower than the most satisfactory service and indicates a significant difference in client satisfaction levels. It is possible to propose that clients are not as satisfied with the manner in which commercial banks develop relationships. An important aspect that was questioned was that of client satisfaction with quality of service delivery. More than eighty percent (84.6%) of respondents indicated that the overall perception of service quality was satisfactory. It is therefore possible to suggest that there are aspects of service quality with which clients are

dissatisfied (14.7%). While this may be less than 15%, translated into the population, this represents 1.6 million dissatisfied respondents. In relation to the problem statement, it may be stated that within the South African commercial banking industry, clients do not possess poor perceptions of the industry and are on an overall basis satisfied with service quality.

As commercial bank staff plays an integral and pivotal role in service delivery, respondents were required to indicate their satisfaction with staff service delivery on a number of aspects. Overall satisfaction levels calculated for the staff component were relatively less than those calculated for the other aspects. It is possible to determine that overall clients are less satisfied with service. Staff knowledge (80.8%) and staff interest in client's individual needs (75.2%) were rated as the least satisfactory staff aspects. In relation to facilities (which was rated the most satisfactory), they were between 10.3% and 15.9% lower. The researcher is of the opinion that all staff should be extensively trained and knowledgeable within this field. Lack of knowledge may result in clients being advised incorrectly, possibly to their detriment, thus decreasing client satisfaction. Determination of individual client needs is imperative in determining which services and products best satisfy these needs. Clients who are of the opinion that staff were uninterested in their needs may feel that suggested services / products are not appropriate to their needs and as such unable to satisfy those needs. Interest in client needs is also pivotal in the creation of a relationship with clients – as seen in the literature study – relationship development could be extensively beneficial for commercial banks. While these satisfaction percentages may be above 50%, they are not optimal as all clients should be satisfied with the service delivery of frontline staff. This finding supports the theory by Duray (section 2.2.2.7 page 28) that staff may directly influence client satisfaction and perception of service.

Bank costs recorded the lowest percentage of respondents who were satisfied with this aspect (61.4%). This finding supports the theory advocated by Brenner

(page 38) that lack of knowledge may create unrealistic expectations on the part of clients, thus creating dissatisfaction. As seen in the previous sections this aspect was also indicated as not being sufficiently discussed with clients – as such incorrect perceptions were generated resulting in this relatively low percentage of satisfied respondents - 29.7% fewer respondents than those satisfied with facilities. This issue has however, been addressed by the competitions commission and new regulations may be implemented in this regard. It indicates an area where service delivery is not sufficient to counteract dissatisfaction with cost. Respondents who utilised investment service only answered satisfaction with the management of investments. However, this low percentage of satisfied respondents (61.7%) is cause for concern as it may indicate a lack of confidence on the part of clients, in the ability of commercial banks to manage their investment.

8.2.1.5.1 Automation and staff interaction

Automation and staff interaction form a basis of general banking as these aspects may be integrated into the various other services offered. Similar to the staff aspect, automation or staff interaction preferences may influence client satisfaction in all service areas.

Figure 8.14: Automation and personal contact

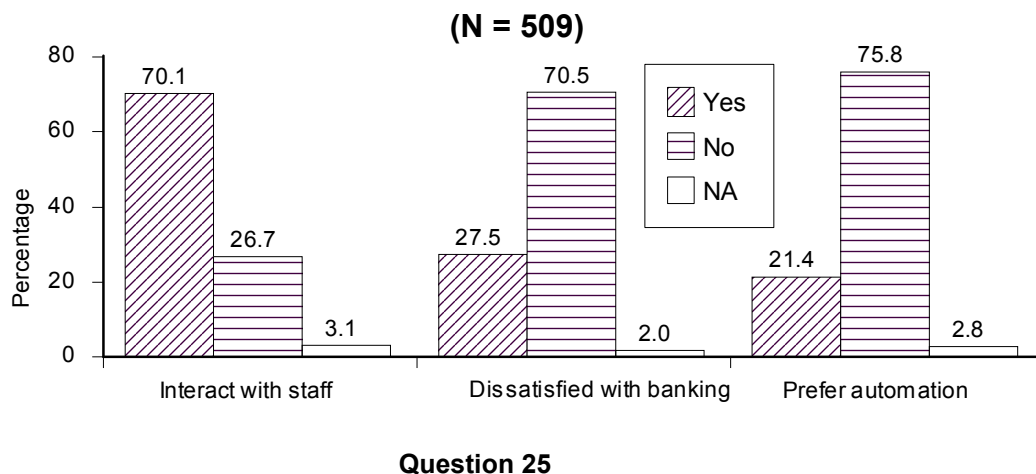
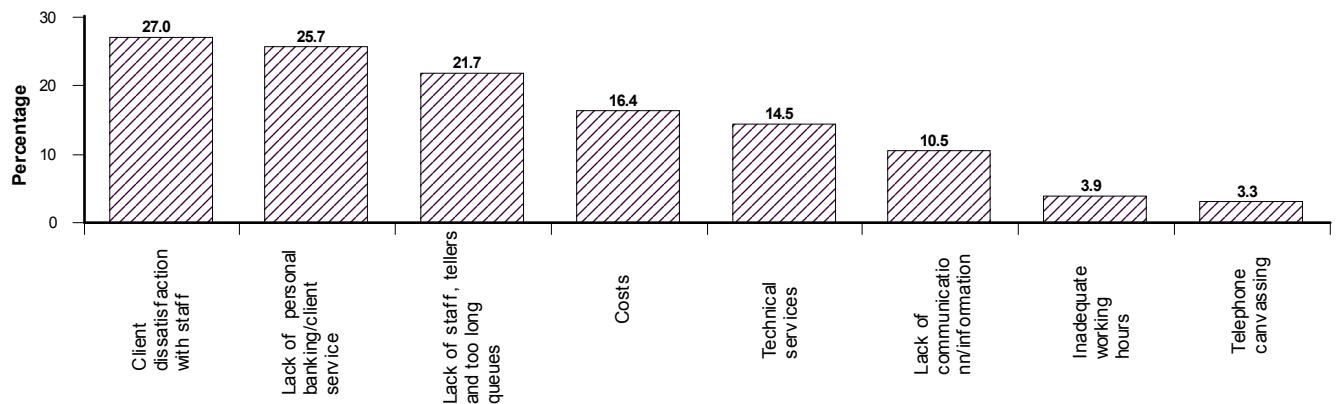


Figure 8.14 highlights that 70.1% of respondents indicated that they would prefer personal interaction with staff as opposed to the 21.4% of respondents whom would prefer the systems to be automated. This clearly indicates that most respondents prefer direct contact with staff as well as the relationships that develop therefrom as a result.

Respondents were questioned to whether there were any specific aspects of the general banking experience with which they were dissatisfied. As seen in figure 8.14, 27.5% were dissatisfied with aspects of their general banking experience. These respondents were asked to indicate which areas they were dissatisfied with, hereby highlighting areas respondents perceived of being of lower service quality / delivery. This form of question assists in determining the validity of the problem statement and determining various sub-objectives of the study.

Figure 8.15: Reasons for dissatisfaction

(N = 167)



Question 26 - coded

Respondents were permitted to select more than one reason for dissatisfaction. As may be seen Figure 8.15, over a quarter of respondents (27.0%) cited staff related issues as the reason for dissatisfaction. This correlates with the information analysed in question 24 and identifies a valid area for improvement. Lack of personal banking / client service as cited by 25.7% of respondents also emphasises the lack of interest in individual client needs highlighted in question

24. It is therefore possible to state that these areas represent the main areas of respondent's dissatisfaction.

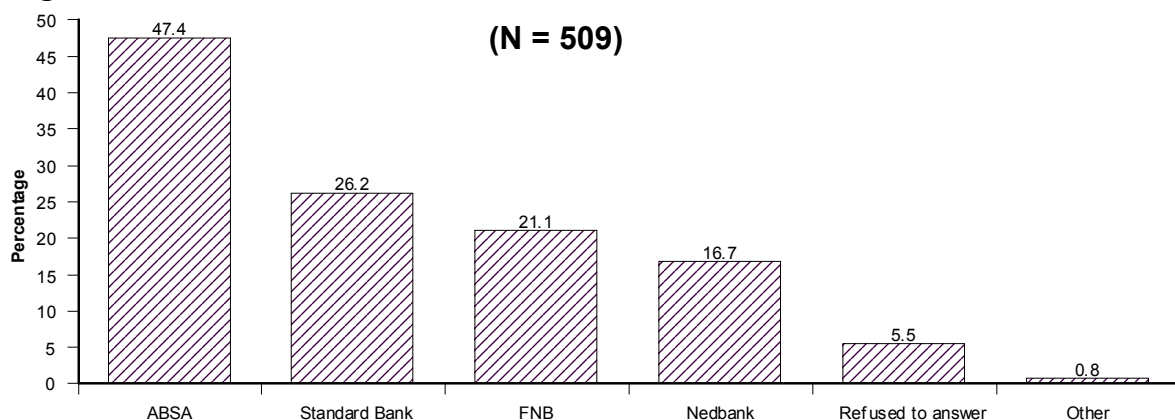
8.2.1.6 *Demographic information*

In order to correlate with the questionnaire demographic information is recorded at the end of the sections. Demographic information in relation to age, gender, province and income were obtained in order to facilitate statistical analysis. It was determined in section 4.3 (page 93) that consumer behaviour is influenced by various factors such as culture, class and lifecycle, classified as demographic factors. As such demographic factors may influence client perceptions, requirements and satisfaction levels. Furthermore, Lewis (page 94) advocated that study demographic information may be utilised to segment the target population.

8.2.1.6.1 Commercial bank utilised

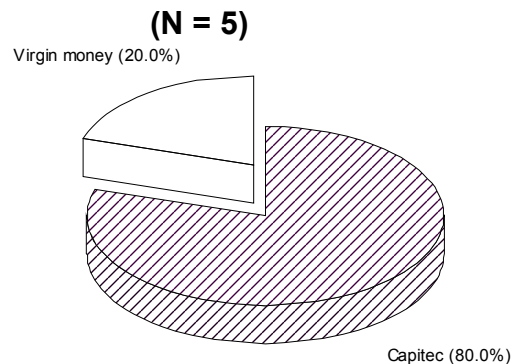
During the 1990's a commercial bank in South Africa (Saambou) experienced financial difficulties that resulted in its eventual liquidation. Numerous client accounts were frozen and clients were unable to access their funds. Consequently, since this event financial experts such as Still (2007: 22) in South Africa have actively encouraged clients to have accounts at more than one commercial bank. Bank utilised was identified by question 27 as indicated below.

Figure 8.16: Bank utilised



Nearly half of the respondents (47.4%) indicated that they were clients of ABSA bank, while Standard Bank was cited by 26.2% of respondents as the commercial bank utilised. Fewer respondents cited first National Bank (21.1%) and Nedbank (16.7%). Less than one percent of respondents (0.8%) utilised an alternative bank to those mentioned. It may therefore be stated that these alternatives do not as yet, pose a threat to the four main commercial banks. According to statistics from the SAS Index currently the market share within the South African commercial banking industry (ABSA 48%, Standard Bank 28%, FNB 20% and Nedbank 18%) is similar to the market share composition within the sample.

Figure 8.17: Alternative banks utilised



Question 28 – coded

Capitec Bank was cited by four of the sample respondents as being utilised, while one sample respondent indicated using Virgin money.

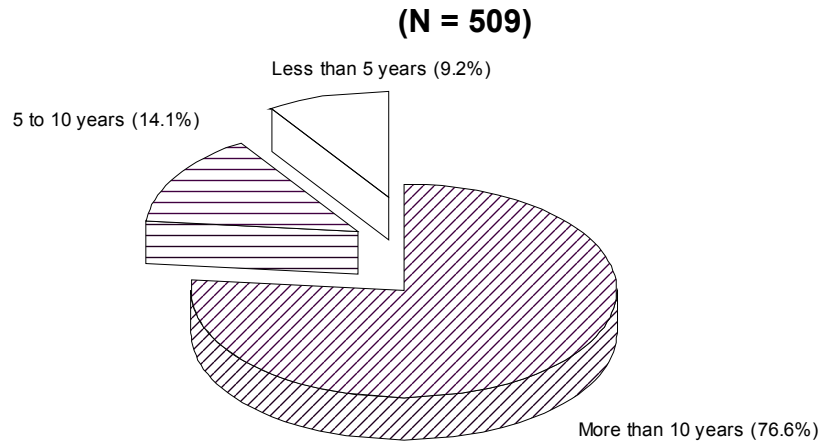
8.2.1.6.2 Number of years of being a bank client

Respondents were questioned to determine the number of years that they were commercial bank clients.

As seen in Figure 8.18, the majority of clients (76.6%) have been clients for more than ten (10) years. Sample respondents with longer periods may also indicate a

confidence in the banking system, as well as expecting better service in return for their loyalty, due to the fact that they are familiar with the intricacies of banking.

Figure 8.18: Number of years as clients of commercial bank

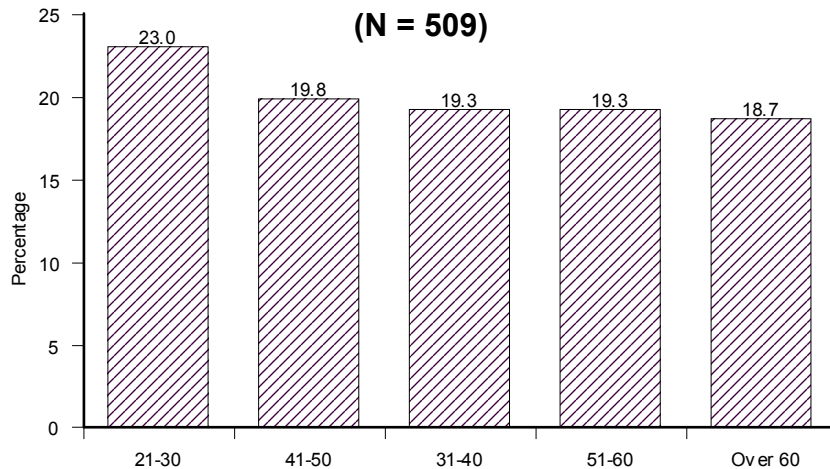


Question 29

8.2.1.6.3 Age of respondents

Age of respondents as a demographic variable is indicated in figure 8.19.

Figure 8.19: Age



Question 30

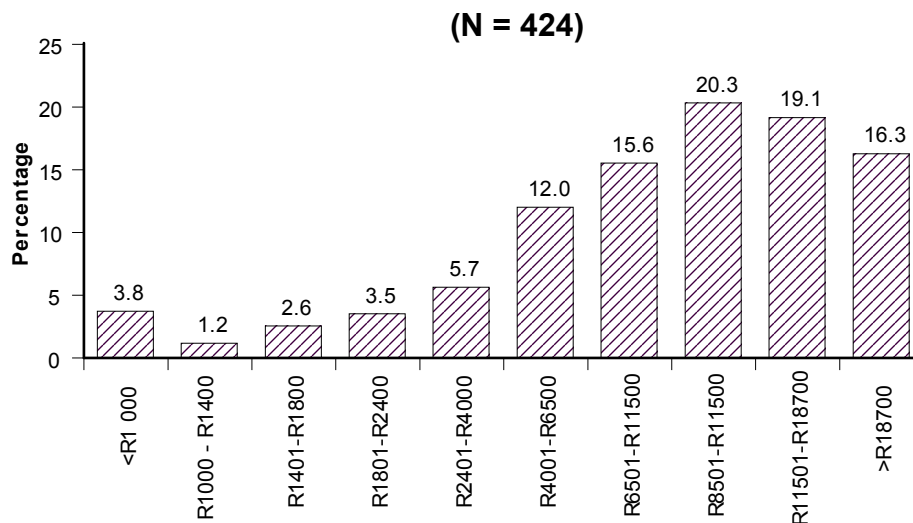
Only respondents with title deeds were selected, therefore between the ages of 18 and 21 were not selected. Very few of these respondents have fixed

employment – with most still studying – with salaries which will enable them to utilise a number of services offered by commercial banks. Inclusion of these respondents may also have possibly skewed the data as their main services utilised would have been primarily Personal Banking, thus reducing the percentage of use of the other services, relatively, further. It is possible to determine that 23.0% of respondents were between the ages of 21 to 30, while 19.8% were between the ages of 41 to 50. The age categories 31 to 40 and 51 to 60 recorded 19.3% of respondents each. Respondents over 60 years of age only constituted 18.7% of the total respondents.

8.2.1.6.4 Income group of respondents

Please note that respondents were reluctant to answer this question. Therefore, the N-value does not equal the total number of respondents. The income intervals were selected to closely represent the tax brackets as specified by the Minister of Finance.

Figure 8.20: Income group



Question 31

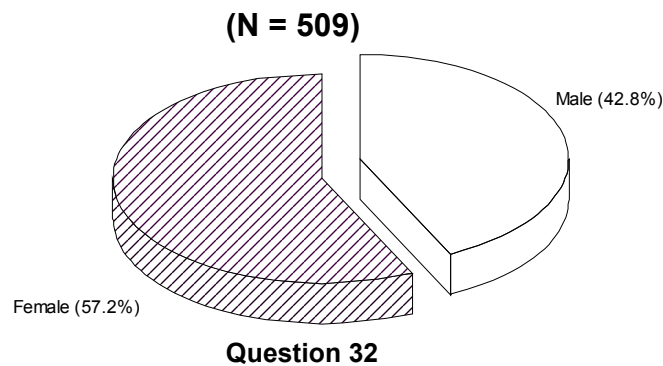
The income group with the highest percentage of respondents was the R8 501 to R11 500 group (20.3%). Analysis of the graph indicates that the higher income

groups yielded the highest percentages of respondents, while the lower income groups did not record as many respondents. Almost twenty percent of respondents (19.1%) were situated in the R11 501 to R18 700 category. A Further 16.3% were situated in the >R18 701 category. Therefore 55.7% of respondents were in the higher income groups while 27.6% were in the lower income groups.

8.2.1.6.5 Gender of respondents

Gender was included in order to assist with statistical analysis.

Figure 8.21: Gender



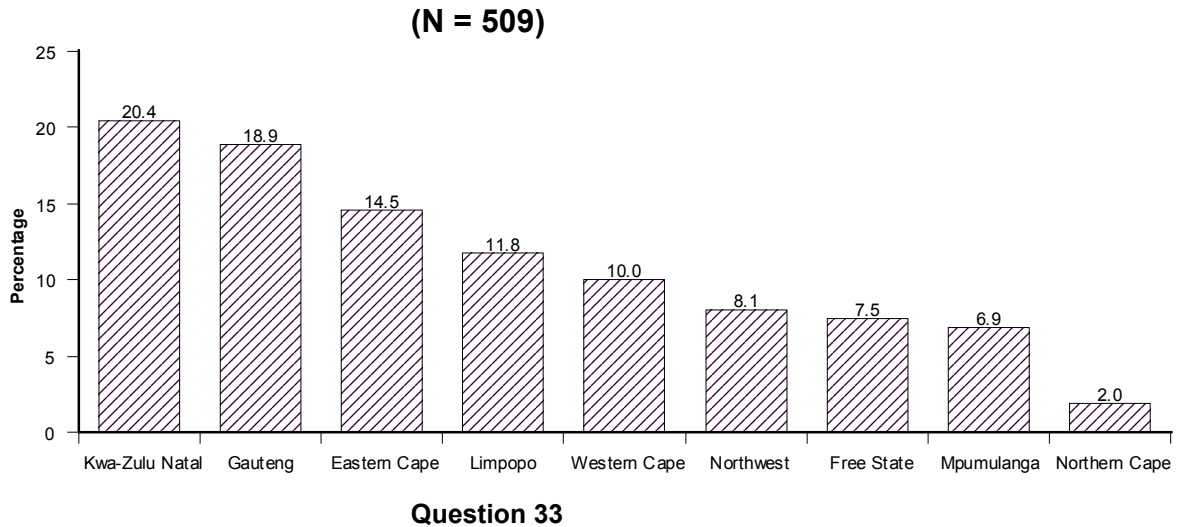
Female respondents comprised (57.2%) of the sample, with males comprising 42.8%. According to Statistics South Africa (mid year review 2008), the population setup of South Africa is currently predominantly female (52%) and to a lesser degree males (48%). The information obtained from the sample therefore correlates with that of the total population. Validity of the samples as being representative is further strengthened.

8.2.1.6.6 Province

In order to correspond with the population layout of South Africa, a certain percentage of respondents were required from each province. The number of

respondents obtained from each province closely mirrors the population layout of South Africa.

Figure 8.22: Province



As illustrated in Figure 8.22, the province with the highest population count is Kwa-Zulu Natal from which 20.4% of the respondents were selected. Gauteng contributed 18.9% of respondents. Eastern Cape (14.5%), Limpopo (11.8%) and Western Cape (10.0%) all yielded over ten percent of the respondents. Smaller provinces such as the Northwest (8.1%), Free State (7.5%), Mpumulanga (6.9%) and the Northern Cape (2.0%) all yielded less than ten percent of the sample respondents.

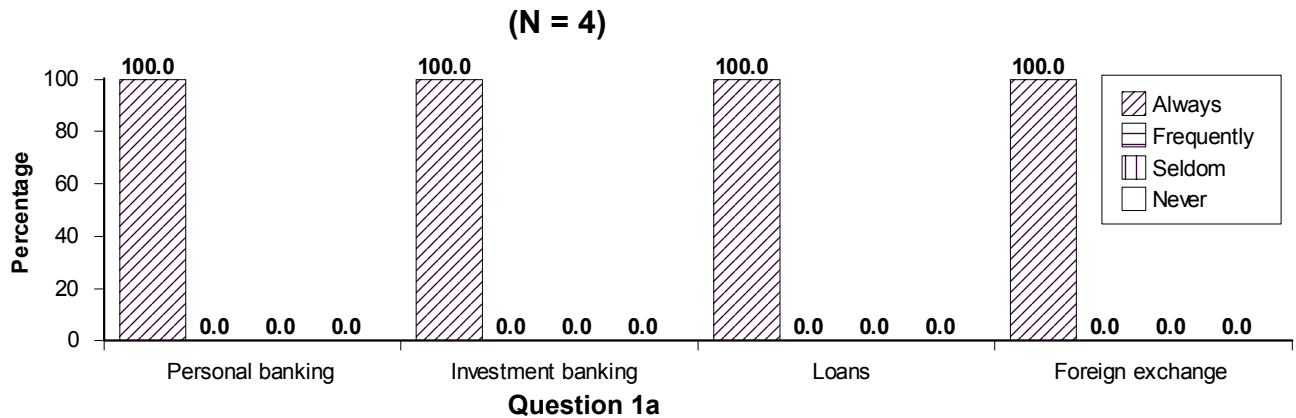
8.2.2 Commercial bank response

All four major commercial banks (ABSA, FNB, Standard Bank and Nedbank) were surveyed. After considerable effort, responses were obtained from all four banks. The N-value is therefore, four for all categories.

8.2.2.1 *Services delivered*

Commercial banks were questioned as to the extent the four main services were delivered.

Figure 8.23: Services delivered



As depicted in Figure 8.23 all the banks indicated that they delivered all services continuously (Always = 100%). This may be an accurate situation as the services are always available for clients to utilise.

8.2.2.2 *Researching client satisfaction*

Commercial banks were questioned as to whether they had conducted research into client's satisfaction. All banks indicated that they had conducted research. This is a good indication as to the commercial bank's awareness of the importance of client satisfaction and the constant need to monitor these dynamic needs and to adjust services and products accordingly.

8.2.2.3 *Personal banking*

This constitutes the first section of services that may be delivered by commercial banks. In order to correspond with the questions that clients were asked, commercial banks were asked to indicate whether specific personal banking

services were delivered. All commercial banks indicated that all services were delivered. Analysed in reference to client responses, this is a realistic result. All services are made available to all clients as and when they require it.

Table 8.7: Personal banking and perceptions of client satisfaction
(N = 4)

Service	Always	Very satisfied	Satisfied
Deposit	100.0%	75.0%	25.0%
Credit cards	100.0%	75.0%	25.0%
Debit Cards	100.0%	75.0%	25.0%
Telephone banking	100.0%	75.0%	25.0%
Cellphone banking	100.0%	100.0%	0.0%
Internet banking	100.0%	100.0%	0.0%
Debit orders	100.0%	100.0%	0.0%
Savings options	100.0%	75.0%	25.0%
Other	0.0%	0.0%	0.0%

Question 2.1a and b

To determine commercial banks awareness of their client satisfaction levels, they were asked to indicate their perceptions of what the client satisfaction levels were. As all the banks indicated that they had conducted research into this area, viable answers were anticipated. It is possible to note that all respondents were of the opinion that all clients were satisfied with the service delivery and services of commercial banks. Only a few services were rated as satisfactory, as opposed to very satisfactory by commercial banks. A similar situation occurred in relation to the explanation of services, all commercial banks indicated that the services were explained and that clients were very satisfied therewith. This however, is in contradiction with client responses as stated in section 8.2.1.1.1.

8.2.2.4 *Investment banking*

Commercial banks were questioned in relation to investment banking in order to provide a viable comparison with client responses. The extent to which commercial banks deliver their services are indicated below. All respondents

indicated that all services (with the exception of shares) are delivered. This is a valid description, as commercial banks will ensure that the services are available should clients wish to utilise them.

Table 8.8: Investment banking and perceptions of client satisfaction

(N = 4)

Services	Always	Very satisfied	Satisfied
Trusts	100.0%	75.0%	25.0%
Investment Deposits	100.0%	100.0%	0.0%
Unit trusts	100.0%	75.0%	25.0%
Offshore investments	100.0%	75.0%	25.0%
Mutual funds	100.0%	100.0%	0.0%
Annuities	100.0%	100.0%	0.0%
Money Market Accounts	100.0%	75.0%	25.0%
Retirement funds	100.0%	75.0%	25.0%
Shares	75.0%	75.0%	25.0%
Insurance	100.0%	100.0%	0.0%
Explanation of services	100.0%	75.0%	25.0%
Other	0.0%	0.0%	0.0%

Question 3.1a and b

Commercial banks indicated the unrealistic response in relation to client satisfaction levels that all clients were very satisfied with the delivery of these services. Only one bank indicated (per service) that clients are merely satisfied with the services, as opposed to very satisfied with service delivery. As is seen in section 8.2.1.2 clients tend towards satisfied rather than very satisfied.

8.2.2.5 *Loan service*

This section comprises the third type of services that may be delivered to clients. Respondents were asked to indicate the extent to which these services were delivered. As was to be expected, all respondents indicated that they delivered all services on a regular (continuous basis).

Table 8.9: Loans and perceptions of client satisfaction**(N = 4)**

Residential loans	Always	Very satisfied	Satisfied
Residential loans	100.0%	75.0%	25.0%
Building Loan	100.0%	75.0%	25.0%
Personal Loan	100.0%	100.0%	0.0%
Vehicle finance	100.0%	100.0%	0.0%
Student loan	100.0%	100.0%	0.0%
Explanation	100.0%	75.0%	25.0%
Other loans	0.0%	0.0%	0.0%

Question 4.1. a and b

A similar situation was recorded in relation to the discussion of loans and the commercial banks perceptions in relation to client satisfaction. Commercial bank respondents indicated that their staff discussed all the core aspects at all times with all clients. These responses are in contradiction with those derived from the clients as seen in section 8.2.1.3.1. Commercial banks were asked to indicate their perceptions of clients' satisfaction in relation to the discussion of core services. It is possible to conclude that commercial banks were under the misconception that their clients were very satisfied with the service delivery in relation to loan service discussions.

8.2.2.6 *Foreign exchange*

Commercial banks were also asked to indicate whether they delivered any foreign exchange services. The commercial banks realistically indicated that they all delivered this service, with all indicating that the service was explained to clients. Reference to client responses will indicate that not all clients answered that the service was explained to them, as indicated in section 8.2.1.4. Commercial banks also indicated that they felt that their clients were satisfied with the service delivered. Client responses however contradict this.

8.2.2.7 *General banking experience*

Commercial banks were also questioned in relation to their perceptions of client satisfaction levels with regard to general banking experiences. The results are indicated in table 8.10.

Table 8.10: General banking experiences

(N = 4)

Services offered	Very Satisfied	Satisfied	Dissatisfied	Very dissatisfied	N/A
Products offered	100.0%	0.0%	0.0%	0.0%	0.0%
Friendliness of staff	75.0%	25.0%	0.0%	0.0%	0.0%
Staff interested in needs	75.0%	25.0%	0.0%	0.0%	0.0%
Ease of use of systems	75.0%	25.0%	0.0%	0.0%	0.0%
Facilities	75.0%	25.0%	0.0%	0.0%	0.0%
Service delivery by staff	50.0%	50.0%	0.0%	0.0%	0.0%
Staff Knowledgeable	50.0%	50.0%	0.0%	0.0%	0.0%
Bank keeps me informed	50.0%	0.0%	50.0%	0.0%	0.0%
Develop relationship	50.0%	25.0%	25.0%	0.0%	0.0%
Services offered	25.0%	75.0%	0.0%	0.0%	0.0%
Quality of service	25.0%	75.0%	0.0%	0.0%	0.0%
Satisfaction	25.0%	75.0%	0.0%	0.0%	0.0%
Bank costs	25.0%	50.0%	25.0%	0.0%	0.0%
Management of investment	25.0%	75.0%	0.0%	0.0%	0.0%
Understand banking	25.0%	50.0%	25.0%	0.0%	0.0%

Question 6.1

From Table 8.10 it is possible to determine that commercial banks are of the perception that overall clients are satisfied with the services delivered. This differs with respondent's answers as depicted in section 8.2.1.5 and Table 8.6. Commercial banks are of the perception that clients are exceptionally satisfied in relation to the actual product offered (such as debit cards) while there may be areas in relation to the services offered (such as call centers) which are not entirely satisfactory to clients. Commercial banks seem aware that not all clients are satisfied with bank costs or the level that clients understood banking.

8.2.2.8 *Relationship marketing*

To determine the level of relationship marketing strategy employed, respondents were required to indicate if they employed relationship marketing strategy and relationship marketing was developed with specific clients. All commercial banks indicated that they employed relationship marketing with specific clients. However, when the lack of accurate perceptions in terms of client satisfaction are taken into consideration, the accuracy and extent of these relationships is therefore questioned.

8.2.2.8.1 Methods utilised to develop relationships

Respondents were required via an open question, to list the methods frequently utilised by the commercial bank to create relationships with selected clients.

Figure 8.24: Methods utilised

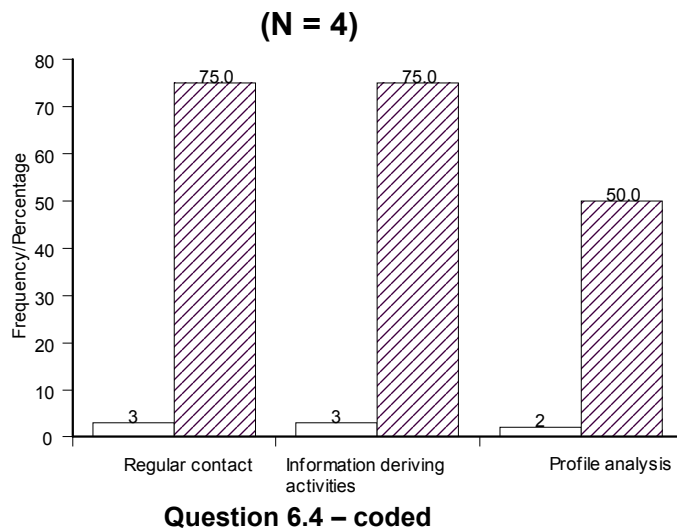


Figure 8.24 indicated that regular contact and information deriving activities (such as surveys and client complaint forms) are the most frequently utilised methods to develop relationships (75.0%). Fitzgibbon and White (section 3.10.2 page 86) indicated that obtaining information is the basis of managing a relationship strategy. The listing of these methods indicate that commercial banks prescribe

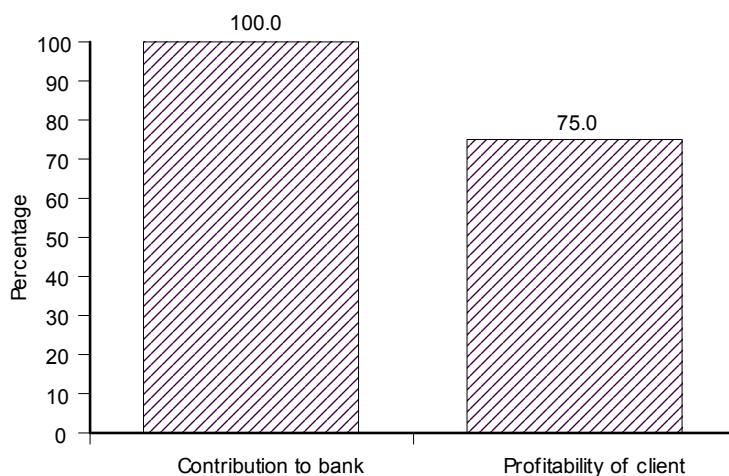
to this theory, which is an accurate basis on which to start. However, while commercial banks indicated that they did survey respondent's needs, the perceptions contained in Table 8.10 contradict client responses in Table 8.6 which indicate a lack of knowledge about client needs and an ineffective research system.

8.2.2.8.2 Selection of clients

Respondents, via an open question, were to list the methods frequently utilised by the commercial bank to select clients with which to develop a relationship.

Figure 8.25: Selection of clients

(N = 4)

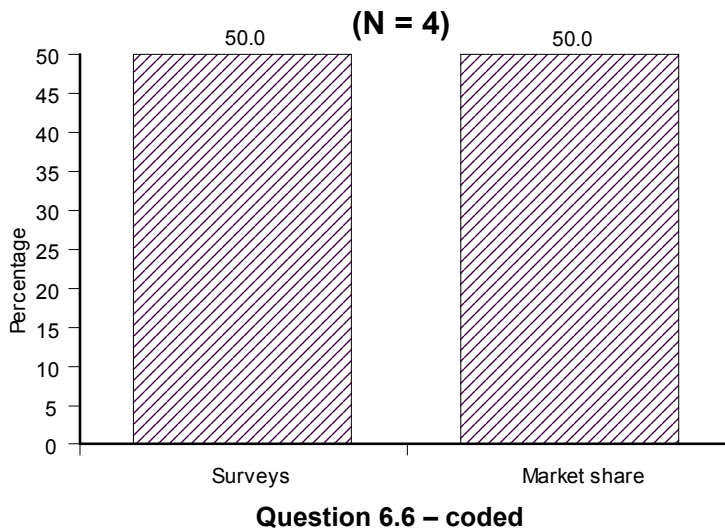


Commercial banks were able to indicate more than one method or measurement utilised to select clients. In its coded form primarily two groups were identified. As may be seen, clients are selected first on their contribution to the bank and then on the profitability. Clearly this will exclude clients who are less secure financially from the selection process. However, all income groups indicated that they would prefer to develop a relationship with the commercial bank, therefore contradicting the viewpoint of clients.

8.2.2.8.3 Measurement of service quality and satisfaction

Commercial banks indicated that the predominant methods utilised for measuring service quality and client satisfaction were the same. This indicates a lack of a definitive strategy to determine quality and clients satisfaction, which are two separate aspects. Furthermore, as indicated by Lamb, Hair and McDonald (section 3.6.2 page 77) banks use sales adjusted retention methods and do not focus primarily on clients and the contributors towards dissatisfaction. Therefore to represent this tendency the methods indicated by the commercial banks were grouped together under one heading within the empirical study. More than one method was able to be listed by commercial banks.

Figure 8.26: Measure quality



Commercial banks rely on surveys and their resultant market share as the means by which to measure service quality. These methods form a viable basis on which to base a quality measurement plan. However, these methods will need to evolve and develop as clients' needs change. As propagated by Ellis (section 3.9 page 84) and Chrzan and Golovashkina (section 2.3.4 page 47) the SERVQUAL method which analyses five separate areas is required in order to effectively measure quality and ultimately satisfaction. Therefore, commercial banks do not conduct sufficient research or analyse sufficient areas in order to

develop a viable evaluation of service quality and satisfaction. Commercial banks utilised two main methods to determine client satisfaction namely; surveys and market share, with surveys as the main method utilised.

8.2.2.9 *Commercial banks*

In order to facilitate statistical analysis a question was added that allowed the researcher to record which commercial banks had completed questionnaires. As stated in section 5.2 page 121 the four main commercial banks are Nedbank, Standard Bank, ABSA and FNB – all of which completed the questionnaire as illustrated in Table 8.11

Table 8.11: Banks
(N = 4)

Bank	Percentage
Nedbank	25.0%
Standard Bank	25.0%
ABSA	25.0%
First National Bank	25.0%

8.3 DATA ANALYSIS BY MEANS OF CROSS TABULATIONS

Cross tabulation analysis serves as a useful tool in the statistical analysis of the data. By means of cross tabulation more specific patterns in data are identified, as well as being able to determine whether alternative groups experience different levels of service delivery and quality. Four separate areas were utilised in the cross tabulation of the data. Kwak, et. al (section 4.9.3 page 114) advocated that amongst others demographic and use-related variables were the main methods used to segment the market. In accordance with this theory as well as to provide viable, useful information for commercial banks' questions in the questionnaire, which most fulfilled these areas, were selected. Accordingly,

commercial banks (which provided a specific view of satisfaction among the various banks); income groups; age and gender were selected.

8.3.1 Commercial bank analysis

Cross tabulations were conducted in order to determine client satisfaction levels in relation to the specific individual commercial banks. Cross tabulation results are divided into sections corresponding with the questionnaire.

8.3.1.1 *Utilised personal banking services*

Table 8.12 contains the percentage of respondents from each of the four main commercial banks indicating that personal banking services were utilised.

Table 8.12: Commercial banks and use of personal banking services

	Commercial banks			
	ABSA (%) N - 241	FNB (%) N - 107	Standard Bank (%) N - 133	Nedbank (%) N - 85
Yes	95	97	94	95
No	5	3	6	5

A majority of all respondents indicated that they utilised the personal banking services as offered by these commercial banks. The usage percentage is similar among the banks, with FNB recording the highest percentage (97%) of respondents utilising these services. It may be stated that personal banking services are prevalently utilised by respondents.

8.3.1.1.1 Personal banking services utilised and satisfaction

Respondents were asked to indicate which personal banking services they utilised and their satisfaction with the service delivery they received. Within the table 'U' denotes the utilisation of services, while 'S' denotes client satisfaction

with the service. The 'S' value was derived by combining the percentages for the satisfied and very satisfied alternatives.

Table 8.13: Banks and personal banking services and satisfaction

	Commercial banks							
	ABSA (%) <i>N</i> - 230		FNB (%) <i>N</i> - 104		Standard Bank (%) <i>N</i> - 125		Nedbank (%) <i>N</i> - 81	
	<i>U</i>	<i>S</i>	<i>U</i>	<i>S</i>	<i>U</i>	<i>S</i>	<i>U</i>	<i>S</i>
Deposit	89	94	81	96	86	93	84	94
Debit orders	81	89	85	91	79	87	75	92
Debit cards	72	94	85	94	71	90	65	92
Credit cards	67	91	59	90	62	88	57	89
Savings options	54	86	46	88	49	87	59	87
Internet banking	43	91	44	98	39	96	43	94
Cell-phone banking	18	78	19	85	14	89	17	100
Telephone banking	16	64	14	80	11	64	14	100
Average	55	86	54	90	51	87	52	94

(i.) Services utilised

Average usage percentages across all four banks exceeds 50%. These percentages are not extensively high and indicate that the usage of personal banking is evenly distributed among the various banks. ABSA respondents indicated the highest percentage of users in relation to deposit accounts relatively. Credit cards were recorded by between 5% and 10% more ABSA respondents as being utilised relative to the other commercial banks. It is possible that ABSA's terms and conditions (rates and requirements for example) are more acceptable / lenient than the other banks, therefore ABSA clients are more able to use credit cards. FNB respondents yielded the highest percentage of respondents utilising debit cards (between 1% and 20% more), while debit orders were between 4% and 10% more. As seen in section 8.3.1.7 (page 276) FNB yielded the highest percentage of respondents in the low-income group. Therefore, the high percentages of use for these specific services may be due to

the fact that there are relatively lower costs associated with these services and are therefore the most suitable for the low income group which comprises a significant percentage of FNB clients. However, in relation to savings options FNB recorded between 3% and 13% fewer respondents utilising these services relatively. Low percentages of use may be due to the current economic situation prohibiting respondents from possessing extra funds with which to save.

Standard Bank and ABSA respondents recorded slightly lower usage rates across all service categories. On average respondents from these two banks did not indicate extensive use of telephone banking (64%). Nedbank respondents also indicated relatively lower usage rates in relation to ABSA and FNB. Slightly fewer Nedbank respondents, in relation to the other commercial banks, utilised credit cards, debit cards and debit orders.

(ii.) Satisfaction with personal banking services

On an overall basis ABSA respondents recorded fewer percentages of respondents satisfied with the service delivery of the personal banking services they received. These respondents also indicated lower satisfaction levels, relatively, in relation to four of the eight personal banking service areas. Satisfaction levels in relation to telephone- (16% and 36% lower) and cell-phone banking (7% to 22% lower) were the lowest relatively. This indicates that ABSA delivers a slightly lower level of service delivery than in relation to the other commercial banks. FNB respondents consistently recorded higher percentages of satisfaction relative to ABSA and Standard Bank respondents. It is therefore possible to determine that FNB and Nedbank respondents were more satisfied with the service delivery received and sample respondents may thus perceive higher quality of service delivery. Nedbank respondents recorded complete satisfaction in relation to telephone and cell-phone banking. Standard Bank respondent's recorded lower satisfaction levels especially in relation to telephone banking, debit orders and debit cards.

It is possible to conclude that sample respondents were satisfied with the service delivery of banks. However, there are areas in which respondents are dissatisfied. There are also differences in satisfaction levels among service delivery of the various banks. Reference to the averages calculated indicated that Nedbank clients were relatively more satisfied with the overall service they received in relation to personal banking.

8.3.1.1.2 Explanation of personal banking services and satisfaction

Respondents who utilised a service were required to indicate if it was discussed and their satisfaction with the explanation. 'E' denotes the explanation of the service.

Table 8.14: Banks and explanation of services and satisfaction

	Commercial banks							
	ABSA (%) N - 230		FNB (%) N - 104		Standard Bank (%) N - 125		Nedbank (%) N - 81	
	E	S	E	S	E	S	E	S
Types of transactions	72	80	73	89	69	81	75	92
Debit orders	70	84	69	90	66	79	69	96
Deposit	70	83	67	90	69	83	81	86
Interest rate earned	65	70	65	76	65	73	72	88
Debit cards	62	87	72	92	61	89	63	90
Credit cards	62	85	60	85	59	86	57	85
Savings options	55	82	47	84	41	86	59	79
Internet banking	35	81	36	92	31	74	36	82
Cell-phone banking	17	67	19	80	12	73	17	71
Telephone banking	16	76	14	80	10	77	12	60
Average	52	78	52	86	49	80	54	83

(i.) Explanation of services

Low percentages of respondents indicated that the services they utilised were explained to them. Explanations are a critical area and these low percentages indicated an overall non-deliverance of this service in the industry. These

findings contradict Harris and Alexander's (section 5.5.1 page 158) statements that commercial banks adhere strictly to the Code of Conduct – as explanations are recorded as mandatory within the Code of Conduct. To illustrate, across all commercial banks telephone banking, cell-phone banking and Internet banking were recorded by below forty percent of respondents as being explained to them. It is also possible to determine that there is a difference between the different commercial banks as to the extent to which they explain services.

In terms of credit cards, ABSA client's yielded slightly higher levels (between 2% and 5%) of clients indicating this service was explained to them. FNB clients indicated the highest percentage of respondents, relative to other banks, who indicated that debit cards were explained to them. This percentage was between 9% and 11% higher than the other banks and represents a service area where FNB delivers superior service, as this service is more discussed than indicated by other commercial bank respondents.

Standard Bank recorded the lowest average percentage of respondents indicating that services were explained to them. Standard Bank recorded on average between 1 to 9 percent lower instances of service delivery than ABSA – thus indicating a superior service delivery by ABSA in relation to Standard Bank. A comparison is made between Standard Bank and ABSA, as these are the two commercial banks recording high percentages of usage by clients. Nedbank respondents provided the highest percentage of respondents on average (54%) who indicated that services were discussed with them.

In relation to deposit accounts Nedbank yielded approximately 11% more respondents stated that this service was explained to them relative to the other commercial banks. Savings options indicated a similar tendency (between 4% and 18% higher), while interest discussions were 7% higher than competitors. These percentages indicate that Nedbank actively discuss services with clients more than the other commercial banks do.

(ii.) Satisfaction with discussion

The findings indicate that commercial banks do not deliver uniform service delivery in terms of explanations, as there are areas where clients indicate high levels of satisfaction and others with lower levels. Ideally all clients should be satisfied with all explanations they receive. To illustrate this occurrence of this statement, ABSA respondents rated cell-phone banking (67%) and interest earned (70%) as the least satisfactory service discussions. Cell-phone banking was between 4% and 13% less satisfactory while Internet banking was between 3% and 18% less satisfactory. Consequently, ABSA staff members do not discuss these services in a manner that is satisfactory to clients. On average over seventy percent (78%) of ABSA respondents were satisfied with the discussions received. This is between 2% and 8% lower than other commercial banks. In none of the areas listed did ABSA respondents cite their service delivery as the most satisfactory relatively. ABSA clients therefore perceive less satisfactory levels of service delivery.

FNB respondents yielded the highest relative percentage (86%) of respondents satisfied on an overall basis with explanation they received. FNB yielded between 3% and 20% more respondents who were satisfied with the telephone-, cell-phone- and Internet banking explanations than competitors – FNB therefore delivers higher quality service delivery than competitors, as clients are more satisfied with this service delivery. Standard Bank clients yielded the highest percentages of satisfied respondents in relation to credit cards and savings options. From these results it may be assumed that commercial banks deliver varying qualities of service delivery in relation to explanations.

Nedbank respondents also indicated that on average over eighty percent (83%) of respondents were satisfied with the discussions of personal banking services. The services with which Nedbank clients were the least satisfied was telephone banking (60%) and cell-phone banking (71%). Cell-phone banking was between

16% and 20% lower than competitors. This indicates a service area where they deliver lower quality service. Nedbank respondents indicated the highest percentage (88%) of satisfaction with interest earned discussions between 12% to 18% higher than competitors. They offer superior service with regard to these discussions.

8.3.1.2. *Investment banking*

Analysis of investment banking in relation to the various commercial banks is discussed as follows. In order to correlate with the specified format in section 5.4.2.2 (page 144), services and the use thereof are categorised as follows.

8.3.1.2.1 Use of investment services

Respondents use of investment services, per commercial bank is indicated in the cross tabulation below.

Table 8.15: Banks and use of investment services

	Commercial banks			
	ABSA (%) <i>N - 241</i>	FNB (%) <i>N - 107</i>	Standard Bank (%) <i>N - 125</i>	Nedbank (%) <i>N - 81</i>
No	71	74	69	74
Yes	29	26	31	26

A small percentage of respondents indicated that they utilised investment services, possibly due to the current economic situation very few respondents had excess funds available to invest. Respondents from Standard Bank recorded the highest percentage (31%) of sample respondents who utilise investment services, while FNB and Nedbank yielded the lowest (26%). In relation to investment banking standard Bank possessed a greater market share in this sample than the other commercial banks.

8.3.1.2.2. Investment services utilised and satisfaction

The dispersion of investment services according to commercial bank provides a useful tool to determine market share in relation to investment services. Only respondents who indicated that they utilised a specific investment service were required to indicate their satisfaction therewith.

Table 8.16: Banks and investment services and satisfaction

	Commercial banks							
	ABSA (%) N - 70		FNB (%) N - 28		Standard Bank (%) N - 41		Nedbank (%) N - 22	
	<i>U</i>	<i>S</i>	<i>U</i>	<i>S</i>	<i>U</i>	<i>S</i>	<i>U</i>	<i>S</i>
Explanation	64	84	68	95	63	85	45	82
Investment deposits	46	88	39	100	71	90	95	86
Insurance	44	90	46	100	29	92	27	67
Trusts	30	95	18	80	37	93	37	63
Money market accounts	30	100	14	100	54	86	27	100
Retirement funds	27	84	36	100	27	100	32	100
Unit trusts	26	72	32	71	46	79	23	40
Annuities	13	100	29	100	29	100	18	75
Shares	10	57	0	-	15	83	0	-
Off-shore investments	8	83	0	-	14	67	4	0
Mutual funds	5	100	3	100	10	100	0	-
Average	27	87	26	77	36	89	28	56

(i.) Services utilised

As investment services are not as extensively utilised by respondents, the percentages recorded are relatively low. Across all commercial banks, there are not many services yielding over fifty percent of respondents indicating that the services were utilised. It is likely the economic situation and South African's aversion to saving may be contributory towards this situation.

Standard bank yielded the highest percentage of respondents utilising these services. Standard Bank did not record the highest levels of respondents in

either the high or medium income groups (section 8.3.1.7). It is therefore possible that Standard Bank differentiates these services in a manner, which makes them more accessible to their clients. Ellis indicated (section 2.2.2.1 page 25) that services should be adopted to meet clients needs – these findings verify that Standard bank attempts to adhere to this theory. To illustrate, unit trusts were recorded between 14% and 23% higher instances of service utilisation than competitors, while money market accounts recorded between 24% and 40% higher utilisation rates.

The most utilised Nedbank service was investment deposits (95%). Clients appear to select the investment service utilised on the basis of availability of funds. Across all commercial banks, investment deposits were the service most utilised (Standard Bank 71%, Nedbank 95%, ABSA 46% and FNB 39%). This service requires the smallest relative investment amount comparatively. Nedbank recorded the highest percentage of high-income respondents. Consequently, more respondents have funds available to invest – thus the higher percentage of use. Across all commercial banks, shares, offshore investment and mutual funds were minimally utilised by respondents. Reasons for this may be two-fold, firstly economic conditions could contribute. Secondly, these are higher risk services with which respondents were not familiar. A lack of awareness could result in diminished use. The commercial bank with the least usage percentage among sample respondents is FNB, as only 26% of respondents indicated that they utilised these services. Difference in usage by FNB respondents to other commercial banks may range from between 4% to as much as 60% (investment deposits – Nedbank), with FNB respondents indicating the lesser usage. As FNB has the highest percentage of low-income respondents, it is possible that these low percentages of use are due to a lack of funds available for investment.

(ii.) Satisfaction with investment banking services

On an overall basis respondents indicated that they were satisfied with the service they received. In many instances, even though small percentages of respondents indicated that they utilised the service, those that utilised the services were satisfied. However, while respondents were satisfied on an overall basis with the quality of service delivery, there are a few individual areas where the sample respondents, per commercial bank, were slightly less satisfied with the service delivery. To illustrate, Standard Bank respondent's yielded the highest average percentage of satisfied sample respondents' clients (89%). All Standard Bank sample respondents who utilised retirement funds, mutual funds and annuities (100%) as delivered by Standard Bank were satisfied with the service delivery thereof. Therefore, it is possible to state that Standard Bank delivers a superior quality service.

Nedbank yielded the lowest relative percentage of satisfied respondents (56%). The most satisfactory services were investment deposits (86%) and annuities (75%). The least satisfactory service were unit trusts (40%), which was more than 31% lower than competitors within the sample and offshore investment (0%). Offshore investment was cited as being utilised by 4% of Nedbank respondents, however none of these respondents were satisfied with the service delivered. This indicates that Nedbank delivers inferior service in this regard. With reference to the total population this represents approximately 72 320 dissatisfied clients.

8.3.1.2.3 Dissatisfaction with overall investment banking experience

Respondents were required to indicate whether there were any specific areas of their overall investment banking experience with which they were dissatisfied.

Table 8.17: Banks and dissatisfaction with overall investment banking experience

	Commercial banks			
	ABSA (%)	FNB (%)	Standard Bank (%)	Nedbank (%)
Satisfied	89	96	86	96
Dissatisfied	11	4	12	5

It is possible to determine that very low percentages of sample respondents indicated that they were dissatisfied with investment services. FNB clients indicated the highest percentage (96%) of sample respondents satisfied with investment services. However, Standard Bank sample respondents yielded the highest relative percentage of dissatisfied respondents (12%). While the 12% may not be substantially higher than the other commercial bank results, this is not optimal as the ideal situation is for all respondents to be satisfied. Calculated in relation to the population this 12% could represent 420 360 Standard Bank clients who are dissatisfied with the service they received. This indicates a concern for Standard Bank, as their clients are less satisfied with certain aspects of their service delivery, than other commercial banks.

8.3.1.3 *Loan services*

Respondents were asked to indicate whether they utilised loan services from commercial banks

Table 8.18: Banks and use of loans service

	Commercial banks			
	ABSA (%)	FNB (%)	Standard Bank (%)	Nedbank (%)
Yes	61	49	45	51
No	39	51	55	49

ABSA respondents indicated the highest percentage of sample respondents (61%) that indicated that they used loan services. Nedbank recorded the second

highest percent of 51%. Both FNB (49%) and Standard Bank (45%) respondents indicated lower percentages of use.

8.3.1.3.1 Loan services utilised and satisfaction

Only respondents who indicated that they utilised loan services were required to indicate which specific services they utilised and their satisfaction therewith.

Table 8.19: Banks and loan services utilised and satisfaction

	Commercial banks							
	ABSA (%) N - 146		FNB (%) N - 52		Standard Bank (%) N - 60		Nedbank (%) N - 43	
	U	S	U	S	U	S	U	S
Explanation of loans	75	67	85	63	78	27	72	35
Residential loans	62	87	56	90	62	81	60	96
Vehicle finance	49	94	38	100	53	94	47	90
Personal loans	46	91	56	93	45	93	40	94
Student loans	25	76	15	88	23	86	19	75
Building loans	12	78	12	100	13	75	28	83
Average	45	82	44	89	46	76	44	79

(i.) Services utilised

Overall usage of loan services among the commercial banks is similar, with Standard Bank yielding the highest relative usage rate (46%). Standard Bank and ABSA yielded up to 6% more respondents utilising residential loans than FNB and Nedbank. Building loans and student loans were the least utilised services across all four commercial banks. ABSA respondents recorded between 2% and 10% higher utilisation of student loans than competitors.

FNB respondents yielded the highest percentage of respondents (85%) who indicated that explanation of services were received. This percentage is between 7% and 13% higher than the other commercial banks sample responses and may therefore indicate that FNB delivers this service more than the other

competitors do. Nedbank yielded approximately 15% higher utilisation rates for building loans than competitors sample respondents. In relation to personal loans between 10% and 16% fewer Nedbank respondents utilise this service. These percentages indicate that commercial banks vary the extent to which they explain loans. Standard Bank yielded the lowest percentage (27%) of respondents indicating that loans were explained, this indicates substandard service delivery. The findings also indicate that clients utilise loans on the basis of their needs. To illustrate building loans are the least utilised service across all banks, this may be due to the economic conditions, and building loans are more expensive and complex than traditional loans.

(ii.) Satisfaction with use of loan services

On an overall basis sample respondents were satisfied with the service delivery they received in relation to loan services. ABSA and FNB respondents (82% and 89% respectively) indicated relatively higher levels of satisfaction with regard to loan services than their counterparts. In relation to ABSA respondents, residential loans yielded a slightly lower percentage (87%) of satisfied respondents. This could indicate that there are certain aspects of service delivery with which ABSA respondents were dissatisfied. However, of the sample respondents who received explanations of loan services, ABSA respondents recorded the highest percentage of satisfied respondents.

FNB respondents yielded high percentages of satisfaction for residential loans (90%) and personal loans (93%). Only 63% of FNB sample respondents indicated that the explanation of loan services they received were satisfactory. As stated by Kathman (section 5.4.2.3 page 150), this is not optimal as loan services constitute a longer-term relationship with the client. It is therefore essential that clients are satisfied with the service they received. Overall Standard Bank sample respondents appeared less satisfied (76%) with loan services. Only 81% indicated that the residential loan service was satisfactory.

This is between 6% and 15% lower than competitors, accordingly the service delivery is of a lower quality.

Nedbank sample respondents indicated that the most satisfactory services were residential loans (96%). Less than half of respondents (35%) were satisfied with the explanation of the loan services. Respondents who received the delivery of explanations were therefore less satisfied with the service the ABSA or FNB sample respondents. Standard Bank and Nedbank results seem to indicate a correlation with the problem statement of this research, as lower quality service delivery will result in client dissatisfaction.

8.3.1.3.2. Explanation of loan services and satisfaction

Respondents were required to indicate whether loan services were discussed and explained, as well as their satisfaction with the explanation. It was determined by Kathman (section 5.4.2.3 page 150) that loans indicate more long-term relationship and complex agreement between the client and the commercial bank, therefore certain specific aspects need to be discussed with clients. These aspects may be considered support services, as they supplement the loan services.

Table 8.20: Banks and explanation of loan services and satisfaction

	Commercial banks							
	ABSA (%) <i>N</i> - 146		FNB (%) <i>N</i> - 52		Standard Bank (%) <i>N</i> - 60		Nedbank (%) <i>N</i> - 43	
	<i>E</i>	<i>S</i>	<i>E</i>	<i>S</i>	<i>E</i>	<i>S</i>	<i>E</i>	<i>S</i>
Requirements	93	93	96	96	90	91	98	95
Procedure for obtaining loan	92	91	90	96	85	88	85	95
Time span for approval	92	91	92	92	82	88	91	93
Interest charged	90	79	92	75	85	73	88	84
Fees/costs involved	88	80	90	81	87	85	88	89
Determination of granting a loan	86	91	81	86	82	88	79	97
Average	90	88	90	88	85	86	88	92

(i.) Explanation of services

While explanation of core aspects were indicated as being conducted by the majority of respondents, this is not sufficient as explanations are mandatory services. Non-deliverance indicates non-compliance with regulations. Standard Bank respondents indicated the lowest percentage of respondents (85%) indicating that loan services were discussed with the least explained aspect being determination and timespan (82%). In relation to timespan discussions approximately 10% less respondents indicated that this aspect was discussed with them, relevant to competitors respondents. It would appear that these sample respondents perceive Standard Bank as delivering explanations to a slightly lower degree than the other commercial banks. Nedbank respondents indicated that the least discussed service was determination (79%), This is slightly lower than competitor responses and may therefore indicate that slightly fewer Nedbank sample respondents perceived this service as being delivered.

(ii.) Satisfaction with loan discussions

Sample respondents, on an overall basis, were satisfied with the service delivery they received. However, it is possible to state that commercial banks deliver these explanations to varying degrees, thus resulting in differing satisfaction levels. To illustrate, Standard Bank sample respondents routinely recorded slightly lower percentages of respondents satisfied with the explanations they received, while conversely Nedbank yielded slightly higher percentages of satisfied respondents. These variations amongst the various commercial banks, according to sample respondents, are significant with reference fees / costs and interest charged. Fees / costs were rated by between 4% and 9% more Nedbank respondents as satisfactory and interest charged by between 5% and 11% more Nedbank respondents as satisfactory. It would appear that sample respondents perceive Nedbank as delivering these services to a slightly higher quality than its competitors' sample respondents. Furthermore, the percentages

of satisfied respondents within the commercial banks vary across services. Consequently, commercial banks explain certain services more comprehensively than others do, hence variations in satisfaction levels. .

8.3.1.4 *Foreign exchange services*

The following combined table indicates client's responses to the use of foreign exchange services.

As determined in Table 8.21, foreign exchange services were utilised by a small percentage of sample respondents. ABSA indicated the highest percent of use (18%) while Nedbank (11%) indicated the least.

Table 8.21: Banks and foreign exchange

	Commercial banks			
	ABSA (%)	FNB (%)	Standard Bank (%)	Nedbank (%)
Use of foreign exchange	18	14	17	11
Satisfaction with service delivery	82	86	83	89

Over eighty percent of respondents across all banks indicated they were satisfied with the foreign exchange service they received. Almost ninety percent (89%) of Nedbank respondents indicated that they were satisfied with the foreign exchange service delivered. ABSA recorded the lowest percentage (82%) of respondents satisfied.

8.3.1.5 *General banking services*

To determine client responses to general banking experiences, clients were asked to answer questions relating to this area. General banking services relate to all aspects of commercial banking that are not specifically allocated to a service category. They also determine sample respondents overall perceptions

and satisfaction levels in relation to commercial banking. Sample respondents indicated an overall satisfaction with the general banking services delivered by the various distinct commercial banks.

Table 8.22: Banks and general banking experience

	Commercial banks			
	ABSA (%) <i>N</i> - 241	FNB (%) <i>N</i> - 107	Standard Bank (%) <i>N</i> - 133	Nedbank (%) <i>N</i> - 83
Facilities available and convenient	92	91	91	91
Ease of use of systems	90	89	91	91
Products offered	84	92	91	85
Services offered	81	92	83	81
Quality of service	81	86	80	83
Friendliness of staff	81	88	86	84
Understand banking	80	85	83	85
Overall satisfaction with banking	78	88	79	80
Service delivery by staff	78	84	77	84
Staff knowledge	77	81	74	79
Bank keeps clients informed of all changes	69	70	77	78
Manner of developing a relationship	68	78	71	71
Staff interest	68	79	74	65
Bank costs	58	66	59	54
Management of investment	57	57	56	73
Average	76	82	78	79

As seen in Table 8.22, FNB's manner of developing relationships was cited as satisfactory by between 7% and 10% more sample respondents than other commercial bank. On an overall basis the satisfaction percentages in relation to the manner of developing relationships are low. As stated in section 8.2.2.8.1 the methods utilised to develop relationship should be adjusted. A similar situation occurs in relation to aspects such as services offered and satisfaction with overall banking, with FNB sample respondents yielding higher percentages of satisfied sample respondents respectively.

ABSA and Nedbank respondents indicated lower satisfaction levels relative to staff interest than FNB and Standard Bank sample respondents. It would appear that these commercial banks (ABSA and Nedbank) deliver a lower quality service that results in lower satisfaction levels among sample respondents. FNB respondents recorded higher percentages of respondents satisfied with the bank costs. It may be probable, as suggested by Boone and Kurtz (section 2.2.3.2 page 2), that higher service quality makes the bank costs more acceptable. Reference to the previous tables will highlight that FNB clients on average yielded higher percentages of satisfied sample respondents across most listed services. It may be assumed that FNB clients are more satisfied with the bank costs that they are required to pay as they receive superior service delivery in the other essential areas.

Nedbank respondents yielded a higher percentage of respondents who utilised investment services, and these respondents were also the most satisfied with the manner in which the commercial bank managed their investment (73%). Standard Bank and Nedbank respondents indicated a greater satisfaction with the extent to which these banks kept them informed of changes. Sample respondents seem to be of the perception that these banks deliver a lightly higher quality of service delivery in this regard. ABSA respondents indicated that on average 76% were satisfied with service delivery in relation to general banking experience. ABSA and Standard Bank respondents were less satisfied with the service delivery they experienced from staff. Thus, it is possible to propose that ABSA and Standard Bank staff deliver inferior service.

8.3.1.6 Automation of services versus interaction with staff

Sample respondent's preferences in relation to the degree of automation (computerisation) of services or preferences in relation to interaction with staff were analysed.

Table 8.23: Banks and automation preference

	Commercial banks			
	ABSA (%) N - 233	FNB (%) N - 103	Standard Bank (%) N - 123	Nedbank (%) N - 84
Yes – prefer automation	24	31	16	29
No – opposes automation	76	69	84	71

Standard Bank respondents yielded the highest percentage of respondents not (84%) preferring automation. While 76% of ABSA respondents and 71% of Nedbank respondents indicated that they do not prefer automation. FNB clients yielded the highest percentage of respondents (31%) who would prefer automation. From these results we may determine that clients are not yet in favour of maintaining banking solely through technological aspects.

Table 8.24: Banks and staff interaction

	Commercial banks			
	ABSA (%) N - 232	FNB (%) N - 102	Standard Bank (%) N - 129	Nedbank (%) N - 84
Yes - interact	71	66	77	69
No – don't interact	29	34	23	31

Table 8.24 further reinforces that respondents prefer interaction with staff. Standard Bank clients in particular (77%) prefer interaction with staff. This preference further emphasises the need to improve the service delivery by staff in order to improve satisfaction levels. The remaining commercial bank respondents indicated to a lesser degree the preference to interact with staff. However, in all cases over half of the respondents preferred to interact with staff.

8.3.1.7 Demographic information

Demographic data assists in determining specific different target groups available to commercial banks. It was advocated by Graham (section 4.3.1 page 94) that

demographic factors influence consumer behaviour, perception and satisfaction determination.

Table 8.25: Banks and age group

	Commercial banks			
	ABSA (%)	FNB (%)	Standard Bank (%)	Nedbank (%)
21 - 30	26	31	26	10
31 - 40	22	27	20	18
41 - 50	18	18	22	32
51 - 60	18	11	17	24
Over 60	16	13	15	16

FNB sample respondents were primarily below the age of 40 years (58%), while the respondents for the remaining banks were primarily over the age of 40.

Table 8.26: Banks and income groups

	Commercial banks			
	ABSA (%) <i>N - 216</i>	FNB (%) <i>N - 97</i>	Standard Bank (%) <i>N - 111</i>	Nedbank (%) <i>N - 67</i>
Low	26	32	27	24
Medium	61	53	54	52
High	13	15	19	24

The income groups specified within the questionnaire have been combined to form three representative groups – low, medium and high. Income between less than R 1 000 to R6 500 are classified as low for the purposes of this study, while R6 501 to R18 700 represent the middle income category and incomes above R18 701 comprise the high income group. These have been classified to resemble the tax brackets as closely as possible. The highest concentration of respondents, across all banks fell within the medium income group. However, with reference to the other income groups, FNB yielded the highest percentage of respondents in the low-income group, while Nedbank yielded the highest percentage of respondents in the high-income group.

Table 8.27: Banks and province

	Commercial banks			
	ABSA (%) <i>N</i> - 241	FNB (%) <i>N</i> - 107	Standard Bank (%) <i>N</i> - 133	Nedbank (%) <i>N</i> - 85
Kwa-Zulu Natal	38	21	23	26
Western Cape	51	24	35	16
Gauteng	36	22	30	26
Northwest	81	14	19	3
Eastern Cape	47	22	32	17
Free State	66	34	29	8
Limpopo	61	29	27	11
Northern Cape	67	0	22	33
Mpumulanga	61	16	26	10

This table does not equal 100%, (refer to the introductory paragraph on page 215 for further explanation). ABSA has the highest percentage of sample respondents (81%) in the Northwest. ABSA also has the highest relative percentages across all the commercial banks in the provinces. FNB (34%) sample respondents were the most concentrated in the Free State. Western Cape yielded the highest percentage (35%) of Standard Bank clients. Nedbank respondents (33%) were the most situated in the Northern Cape.

8.3.2 Income group analysis

Clients selected for relationship marketing strategies are selected on the basis of their income and contribution towards the bank as stated in section 8.2.2.8.2. It is therefore possible to assume that as income/contribution plays such a pivotal role in relationship development, that service and service delivery may be varied according to income as well. To determine if this deduction is correct, responses via income groups are analysed.

As stated in Section 8.3.1.7 (page 276) income groups have been combined to form three representative groups – low, medium and high. Income between less than R 1 000 to R6 500 are classified as low-income, while R6 501 to R18 700 represent the middle income category and incomes above R18 701 comprise the

high income group. These have been classified to resemble the tax brackets as closely as possible.

8.3.2.1 *Use of personal banking services*

A certain percentage of respondents refused to indicate what their income bracket was. This category of respondents has not been analysed, as it is not possible to determine to which income group they belong.

Table 8.28: Income groups and use of personal banking services

	Income group		
	Low (%) N - 122	Medium (%) N - 233	High (%) N - 69
Yes	88	99	100
No	12	1	0

All sample respondents within the high-income group indicated that they utilised personal banking services, while almost all respondents (99%) in the middle income group also utilised personal banking services. Twelve percent of respondents in the low-income group did not utilise personal banking services. It is therefore possible to conclude that sample respondents in this group use, to a slightly lesser degree, personal banking service than their counterparts in the other income groups.

8.3.2.1.1 Personal banking services utilised and satisfaction

Respondents were asked to indicate which investment banking services they utilised and their satisfaction therewith. It is now possible to determine the services most utilised by the sample respondents within an income group.

Table 8.29: Personal banking services utilised and satisfaction according to income group

	Income group					
	Low (%) <i>N – 107</i>		Medium (%) <i>N – 230</i>		High (%) <i>N – 69</i>	
	<i>U</i>	<i>S</i>	<i>U</i>	<i>S</i>	<i>U</i>	<i>S</i>
Deposit	80	98	85	97	85	86
Debit cards	68	89	79	98	79	88
Debit orders	65	69	84	83	84	58
Savings options	44	94	53	87	53	88
Credit cards	38	95	65	95	65	83
Internet banking	18	100	48	95	48	92
Telephone banking	13	86	14	72	14	62
Cell-phone banking	8	89	20	84	20	79
Average	42	90	56	89	56	80

(i.) Services utilised

On average low-income group sample respondents utilise personal banking services to a lesser degree than the other income groups. There is an overall tendency, among these sample respondents, of more services being utilised as the income group increases. To illustrate, in certain service areas, low-income groups yielded between 9% and 27% lower percentages of utilisation as compared with the medium income group. This percentage difference increases in relation to high income sample respondents. The percentage differences are significant and indicated that among these sample respondents there is increased use of commercial bank services as the income earned increases. Among low-income respondents', credit cards (38%) and savings options (44%) were utilised to a lesser degree, perhaps due to the limited financial means, these services can not be utilised by low-income respondents in this sample. In addition an average of 42% of these respondents indicated that they utilised personal banking services.

Medium income group respondents indicated a higher percentage (56%) of respondents utilising these services. Respondents in the medium income group

indicated Internet banking (48%) and savings options (53%) as being used to a lesser degree. Sample respondents in the high-income group recorded the highest relative percentage of respondents utilising personal banking services (60%). These respondents also do not actively utilise telephone banking (19%) and cell-phone banking (20%) and would appear to prefer Internet banking (57%) to these alternatives.

(ii.) Satisfaction with services

Overall, it may be stated that these sample respondents according to income distribution were satisfied with the quality of service delivery they receive. However, there is a tendency for satisfaction to decrease as income increases. Sample respondents in the high-income group, on average, indicated lower percentages of respondents satisfied with the service delivery they received in relation to personal banking services. To illustrate, satisfaction percentages of the high-income group respondents were approximately ten percent (10%) lower than the other income groups who utilised personal banking services. Eighty six percent of sample respondents were satisfied with deposit accounts. This is eleven percent lower than the other categories. Credit cards were cited by twelve percent fewer sample respondents as satisfactory, while telephone banking was ten percent lower and debit orders were 11% lower. This may result in negative perception of the commercial banking industry being developed by these sample respondents. This is problematic, as these respondents are the group with which commercial banks will attempt to develop relationships.

Furthermore, commercial banks appear to vary the quality of service delivery among the various services, as certain services were recorded as satisfactory by more respondents than others. To highlight this situation, debit orders were only ranked satisfactory by 69% of low-income sample respondents. This is significantly lower than the other services utilised by the low-income group.

8.3.2.1.2 Explanation of personal banking services and satisfaction according to income groups

Respondents were required to indicate whether the commercial banks discussed the various services and their satisfaction with the discussion. Discussion of services utilised, as mentioned previously, is obligatory. It is imperative that clients are provided with all the necessary information in order to efficiently utilise the selected service optimally, thus deriving the most profitable value and benefit therefrom. As indicated by Berger and de Young (section 3.9 page 83), values and benefits are essential in relationship development. Clients are more satisfied as explanations of services enabled them to develop realistic expectations. Furthermore, it may provide a basis on which two-way communication may be developed.

Table 8.30: Income groups and discussion of personal banking and satisfaction therewith

	Income group					
	Low (%) <i>N</i> – 107		Medium (%) <i>N</i> – 230		High (%) <i>N</i> – 69	
	<i>E</i>	<i>S</i>	<i>E</i>	<i>S</i>	<i>E</i>	<i>S</i>
Deposit	75	79	69	86	67	85
Types of transactions	64	88	74	84	75	83
Debit cards	62	88	69	91	57	79
Debit orders	61	88	73	86	74	86
Savings options	50	85	55	77	57	85
Interest earned	49	76	69	70	77	86
Credit cards	41	86	62	87	72	86
Internet banking	19	95	40	81	48	85
Telephone banking	15	79	15	56	16	69
Cell-phone banking	12	69	19	71	16	73
Average	45	83	55	79	56	82

(i.) Explanation of services

Overall, low-income sample respondents yielded the lowest percentage of respondents indicating that the selected personal banking service was discussed

with them. This may imply that low-income sample respondents were the least well equipped to utilise the services they selected optimally, resulting in unrealistic expectations, creating negative perceptions and lower satisfaction levels. To illustrate, Internet banking, which was cited as being explained by 21% fewer respondents than the medium income group, clearly indicates that commercial banks differentiate service delivery on the basis of income. Types of transactions are a service delivered by commercial banks, which constitute the process of informing clients of the complete range of services available and together with the client, determining the services most suited to the clients. As 10% fewer low-income sample respondents, than the other income groups, indicated that the service was delivered, these sample respondents may perceive the commercial banks of differentiating their service delivery on the basis of income. This may be a contributory factor to low satisfaction levels. A similar situation may also occur in relation to interest discussions, as 20% fewer low-income sample respondents indicated that this aspect was discussed with them.

Within this specific sample it would appear that there is an increase in services discussed that correlates with an increase in income. Discussions regarding interest and types of transaction discussions were recorded as being delivered by the most by sample respondents in the high-income group – this could contribute towards the sample respondents' perception of an increase in discussion based upon income levels. Across all services, with the exception of debit cards, respondents in the high-income group recorded higher percentages of respondents stating that services were discussed with them than the medium income group. To illustrate, ten percent more respondents in the high-income group indicated that credit cards were discussed with them than in the medium income group.

(ii.) Satisfaction with explanation

References to overall sample respondent averages in Table 8.30 indicate that sample respondents were satisfied with the service delivery and quality they received in relation to the discussions.

Sample respondents in the low-income yielded the highest relative percentage of respondents satisfied with the service delivery (83%). Therefore, it is possible to conclude from the research that while these sample respondents yielded the lowest percentage of use, they were satisfied with the service they received. Sample respondents in the medium income group yielded the lowest relative levels of satisfaction with the discussions that they received. In this study dissatisfaction with a discussion, indicates that sample respondents perceived that in some aspect, or to some extent, the commercial bank delivered the service to a lower degree of quality. A specific area, which the sample respondents felt to be necessary, may have been overlooked in the discussion or the delivery of the discussion by staff members was not satisfactory. This could lead to dissatisfaction among sample respondents. To illustrate, medium income group respondents were 13% less satisfied with telephone banking discussions and 6% less satisfied with interest discussions.

High-income group sample respondents were the least satisfied with debit cards than the other income group sample respondents. There were 9% fewer satisfied respondents than other income groups. High-income sample respondents may be of the opinion that in regard to these services the service delivery was less satisfactory. It would appear that these isolated aspects indicate a degree of validity in the problem statement of the study. While there may not be total dissatisfaction with service delivery there were aspects with which sample respondents were less satisfied.

8.3.2.2 *Investment banking*

Responses in relation to the use of investment banking services and income groups is analysed below:

8.3.2.2.1 Use of investment banking services

The table below indicates the use of investment banking services relative to the various income groups.

Table 8.31: Income groups and use of investment services

	Income groups		
	Low (%) <i>N</i> – 122	Medium (%) <i>N</i> – 233	High (%) <i>N</i> – 69
Do not use investment services	68	78	59
Use investment services	32	22	41

From Table 8.31 it may be determined that less than half of all respondents utilised investment-banking services. However, sample respondents in the high-income group recorded the highest relative percentage of use (41%). This percentage is 19% higher than that of the medium income group and 9% higher than that utilised by low income group sample respondents. High-income group respondents are therefore the main sample respondent group utilising investment services. It is possible to assume that respondents in the high-income group have excess funds available with which to invest.

Reference to the age composition of the medium income sample respondents (section 8.3.1.7), will indicate that 44% of these respondents are situated between 30 to 50 years old. A predominant number of these respondents are most likely in the growth stage of the family life cycle, and thus have greater financial obligations than respondents do in younger or the oldest age categories. Therefore, they probably do not have excess funds available to invest.

8.3.2.2.2 Investment banking services utilised and satisfaction according to income groups

Respondents were asked to indicate which investment banking services they utilised and their satisfaction therewith. This cross tabulation is therefore beneficial, as it is able to highlight income group satisfaction in relation to a specific service.

Table 8.32: Income and investment services utilised and satisfaction

	Income groups					
	Low (%) <i>N</i> – 27		Medium (%) <i>N</i> – 78		High (%) <i>N</i> – 28	
	<i>U</i>	<i>S</i>	<i>U</i>	<i>S</i>	<i>U</i>	<i>S</i>
Explanation	37	100	72	82	79	77
Investment deposits	33	100	62	88	68	84
Trusts	30	100	38	83	14	100
Insurance	26	100	47	89	39	91
Unit trusts	19	80	28	73	36	80
Money market accounts	15	100	35	96	43	92
Retirement funds	11	100	40	89	21	100
Shares	11	33	5	75	11	100
Annuities	7	100	26	100	36	90
Off-shore investments	4	100	8	67	11	100
Mutual funds	0	100	5	100	7	100
Average	17	92	33	86	33	92

As seen in Table 8.32, low percentages of respondents indicated that they utilised investment services. Sixteen percent more respondents in the middle and high (33%) income groups indicated that services were utilised than in the low income group (17%). It is possible to propose that the low-income group does not have a need for this service. However, it is possible to determine that investment deposits, insurance and deposits were the most frequently utilised services among sample respondents across all groups.

(i.) Services utilised

Sample respondents in the low-income group yielded between 13% and 29% lower usage rates of these services than the other groups. Furthermore, of all the respondents that utilised investment services in the low-income group, only 37% indicated that the service they utilised was explained to them. This however, indicates lower levels of service usage by these sample respondents, perhaps due to the fact that low-income group respondents do not have the excess funds available to invest.

The medium income group sample respondents on average indicate a higher usage rate than the low-income group. Almost three-quarters of the medium income group indicated that investment services were explained to them. This may indicate that in relation to this specific sample and service commercial banks differentiate service delivery on the basis of income. Respondents in the high income group indicated that the primary investment service utilised was investment deposits (68%), while almost eighty percent (79%) of respondents indicated that investment services were discussed with them.

(ii.) Satisfaction with investment services

While not many sample respondents utilised investment services, it was possible to determine that respondents, who had utilised the services, were satisfied with the service delivery they received. In relation to the predominantly utilised services, investment deposits and insurance, sample respondents in the high income group (who cited the greatest percentage of use) were the least satisfied with the service delivery thereof.

Medium income groups sample respondents' appeared relatively less satisfied by the service delivery they received in relation to insurance. Only 33% of respondents in the low-income group were satisfied with the service they

received in relation to shares. However, as the number of respondents utilising this service is minimal, we are not able to deduct that this indicates lower levels of service delivery by commercial banks.

8.3.2.3 *Loan services*

It was determined that sample respondents in the low-income group utilised loan services to a lesser degree (39%) than respondents in the high or medium income groups.

Table 8.33: Income and use of loan services

	Income groups		
	Low (%) <i>N</i> – 122	Medium (%) <i>N</i> – 233	High (%) <i>N</i> – 69
Do not use loan services	61	42	36
Use loan services	39	58	64

There is a 19% difference in the medium income group (58%) utilising loan services and a 25% difference between the respondents in the high-income group and those utilising loan services in the low-income group. Therefore usage of loan services increase as income increases.

8.3.2.3.1 Utilised loan services and satisfaction according to income group

Only sample respondents who indicated that they utilised loan services were required to indicate which specific services they utilised and their satisfaction therewith. This cross tabulation is therefore beneficial, as it is able to highlight specific bank client's satisfaction with the service of that specific bank. As seen in Table 8.34, low-income group sample respondents indicated the lowest average percentage of use (38%). This is 7% less than the medium income group and 13% less than the high-income group.

Table 8.34: Income and loan services utilised and satisfaction therewith

	Income groups					
	Low (%) <i>N</i> – 47		Medium (%) <i>N</i> – 135		High (%) <i>N</i> – 44	
	<i>U</i>	<i>S</i>	<i>U</i>	<i>S</i>	<i>U</i>	<i>S</i>
Explanation of loans	70	88	77	88	82	100
Personal loans	66	87	44	95	39	88
Residential loans	45	86	58	90	82	94
Vehicle finance	23	100	50	94	70	93
Student loans	15	100	31	76	7	100
Building loans	11	100	10	79	25	82
Average	38	94	45	87	51	93

(i.) Services utilised

It is possible to state that within this sample the use of loan services, on average, increases as the income group does. To illustrate, vehicle finance service however, is utilised by as much as 47% less respondents in this group as opposed to the high income group. Low income group sample respondents utilise residential loans to a significantly lower degree - between 24% to 37% lower - than the other income groups.

There are also variations in the extent to which services are utilised that correlate with income groups. To illustrate low-income respondents recorded the highest percentage use of personal loans (66%). Personal loans are most frequently utilised to pay for current daily expense (as advocated by Krishnan and Ritchen in section 5.4.2.3.1 page 152), as such it is likely that the low-income groups use it as a method of covering expense shortfalls. Building loans were cited as being utilised by the most respondents in the high-income group (25%). It is likely that this is due to the fact that the other income groups do not possess sufficient funds to provide bridging finance during the term of the loan. Respondents in the medium income group cited the most use of student loans (31%). This is perhaps due to these respondents being in a different stage of the lifecycle, as such they may have children who are studying at a tertiary institution.

(ii.) Satisfaction with loan services

It is possible to determine from the research that on an overall basis, sample respondents were satisfied with the service delivery they received in relation to loan services. However, respondents in the medium income category yielded significantly lower percentages (76%) of satisfied respondents in relation to student loans. Consequently, sample respondents who utilised this service perceived a less satisfactory service delivery than the other categories. This is a similar situation in relation to building loans in that the medium income groups of sample respondents were less satisfied therewith.

8.3.2.3.2 Explanation of loan services and satisfaction according to income group

Due to the extended and complicated nature of loans, it is necessary that certain aspects be discussed with the clients prior to the selection of the best loan offers for the client. It is also necessary to determine client satisfaction with these explanations.

Table 8.35: Income and loan explanations and satisfaction

	Income groups					
	Low (%) <i>N</i> – 47		Medium (%) <i>N</i> – 135		High (%) <i>N</i> – 44	
	<i>E</i>	<i>S</i>	<i>E</i>	<i>S</i>	<i>E</i>	<i>S</i>
Procedure for obtaining loan	94	93	91	94	86	89
Requirements	89	98	94	94	98	93
Time span for approval	85	95	93	89	93	90
Interest charged	83	85	91	77	95	76
Determination of granting a loan	79	95	87	87	77	94
Fees/costs involved	79	84	91	82	93	78
Average	85	92	92	87	90	87

(i.) Explanation of services

Between 5% and 7% fewer respondents in the low-income group indicated that the core aspects were explained to them. This indicates a lower level of service delivery by commercial banks towards low-income groups. In relation to fees / costs, there was between 12 % – 14% difference in the percentage of respondents in the medium and high income groups indicating that this was discussed with them, than in the low income group. On average for most of the services there is a difference of between 8% - 14% between the number of respondents in the low income group and high income group indicating that these aspects were discussed with them. Within this sample commercial banks differentiate in the extent to which they discuss these aspects with respondents based on the income levels. This could result in lower satisfaction levels among these sample respondents. It also adds credibility to the problem statement that commercial banks lack service delivery, albeit in certain rather than all areas. In relation to the Code of Banking Practice (section 5.5.1 page 157) these findings indicate non-compliance and inferior service delivery towards low-income groups.

(ii.) Satisfaction with discussions

It is possible to indicate that sample respondents in the low-income group indicated a 5% higher average of satisfied respondents (92%) as opposed to the other income groups. Relative to fees / costs involved there is between 4% and 6% difference in satisfaction levels between the different sample income groups, with low income indicating more satisfaction with the service delivery. In relation to interest charged low income group sample respondents recorded 8% more respondents satisfied than the other categories. A slight tendency, within this specific sample of respondents, of decreasing satisfaction as income increase is noted. These respondents may therefore perceive that the discussions they received did not fulfill their needs adequately. Satisfaction levels may decrease as a result. High-income group sample respondents showed a tendency towards

lower levels of satisfaction, relative to the other income groups. It is possible to indicate that respondents in the higher income groups expect full disclosure of all aspects relating to their loans, with specific reference to costs and interest. As such the current explanations do not meet all their expectations and as a result these respondents are dissatisfied.

8.3.2.4 *Foreign exchange according to income group*

Respondent usage, classified according to income groups is analysed in the subsequent section.

Table 8.36: Foreign exchange and income groups

	Income groups		
	Low (%)	Medium (%)	High (%)
Satisfied with service delivery	93	83	62
Use of foreign exchange	7	17	38

Sample respondents in the low-income group utilised foreign exchange services to a lesser degree. These respondents were also satisfied with both the service delivery and explanation of the service as provided by commercial banks. Respondents in the medium income group were less satisfied (83%) with the service and explanation of this service than the low-income counterparts. High-income group sample respondents indicated the highest percentage of use (38%) with the lowest levels of satisfied respondents (62%). It is possible that respondents in the high-income group have utilised foreign exchange services from an alternate service provider and therefore developed certain expectations as to the quality of service they expect. Utilisation of the commercial bank services may not have been in accordance with these expectations.

8.3.2.5 General banking experience according to income group

Respondent's perceptions, according to income groups, of general banking experience were analysed, and help to determine sample respondents overall perceptions and satisfaction levels in relation to commercial banking.

As seen in Table 8.37, respondents in the low-income group yielded the highest average percentage (84%) of respondents satisfied with their general banking experience. This is 7% higher than the high-income group and 8% higher than the medium income group.

Table 8.37: Income and general banking experience

	Income groups		
	Low (%) N – 122	Medium (%) N – 233	High (%) N – 69
Facilities available and convenient	91	89	90
Services offered	89	81	88
Quality of service	89	81	78
Service delivery by staff	89	80	75
Ease of use of systems	89	90	94
Understand banking	88	81	82
Satisfaction with banking	88	79	82
Friendliness of staff	88	85	75
Staff knowledge	88	76	72
Products offered	84	86	90
Staff interest	82	69	70
Manner of developing a relationship	80	67	72
Bank costs	79	56	45
Bank keeps clients informed of all changes	76	69	77
Management of investment	63	57	67
Average	84	76	77

Low-income group sample respondents yielded between 23% and 34% higher percentages of respondents who were satisfied with the bank costs they were required to pay. Reference to their satisfaction levels also indicated higher satisfaction levels, relative, for most services. The researcher is therefore able to

conclude that for this sample, a link exists between service quality and a willingness to pay higher bank costs as indicated by Boone and Kurtz (section 2.2.2.2. page 26). Of the fifteen services listed the low-income group sample respondents indicated higher satisfaction percentages for eleven of the areas, than that of the medium or high-income groups. In relation to the manner of developing relationships between 5% and 13% fewer respondents were satisfied with the service delivered. Dissatisfaction with the manner of developing the relationship will hamper the development of the relationship.

A similar situation occurs in relation to staff interest (13% lower) and management of investment (6% to 10% lower). Staff should display an interest in all clients irrelevant of income group. Therefore these percentages indicate inferior service delivery by commercial bank staff. As these percentages are significant it is probable that sample respondents in the medium income group perceived a lower level of service quality delivery, and as such experienced lower satisfaction levels. In relation to bank costs respondents in the high-income group (45%) were the least satisfied. Reference to section 8.3.2.3.2 indicates that this group of respondents also indicated the lowest satisfaction level with the explanation of these aspects. It is possible to state that these respondents did not receive all the information necessary to adequately form expectations.

8.3.2.6 Automation of services versus interaction with staff according to income group

Sample respondent's preferences in relation to the degree of automation (computerisation) of services or preferences in relation to interaction with staff were analysed. To facilitate the reading of the data only 'Yes' answers were recorded – in other words only responses, which indicated the sample respondent's preferences, were recorded. These questions are therefore mutually exclusive of each other.

Table 8.38: Income and automation preferences

	Income groups		
	Low (%) N – 122	Medium (%) N – 233	High (%) N – 69
Prefer Interaction with staff	70	70	69
Prefer automation of systems	20	25	28

It is seen in Table 8.38, more than half of the respondents in all income groups indicated that they preferred staff interaction. When taking into consideration results from previous questions, this aspect is important. However, less than thirty percent of sample respondents, across all income groups indicated the preference for automation. The high-income group of sample respondents recorded the highest relative percentage of respondents preferring automation of systems (28%). This figure may be due to the fact that high-income group respondents prefer time saving initiatives – they were also consistently less satisfied with service delivery by commercial bank staff. However, in relation to section 8.3.2.5 the staff component was consistently rated as satisfactory by fewer respondents than the other services. Respondents therefore prefer interaction with staff, but the service delivered by commercial bank staff is not as superior as desired by respondents. As noted in section 8.2.1.5.1 staff service was cited as one of the reasons for client dissatisfaction with their banking.

8.3.3 Age group analysis

Cross tabulations were conducted in order to determine sample respondent satisfaction levels in relation to the specific age groups. Cross tabulation results are divided into sections corresponding with the questionnaire. Age of respondents is considered by Kwak et. al (Section 4.9.3 page 114) as one of the basis on which to segment the market. It is theorised that service use by clients varies according to the age of the client. Service providers may group respondents on the basis of age as a result. To evaluate this theory, analysis of

responses according to age groups was conducted to determine whether service delivery and use was differentiated on the basis of age.

8.3.3.1 *Use of personal banking and age group differentiation*

The use of personal banking services, according to age, is analysed as follows.

Table 8.39: Age and use of personal banking

	Age group				
	21-30 (%) <i>N – 117</i>	31-40 (%) <i>N – 98</i>	41-50 (%) <i>N – 101</i>	51-60 (%) <i>N – 98</i>	>60 (%) <i>N – 95</i>
Use personal banking	97	98	96	93	89
Don't use personal banking	3	2	4	7	11

Over ninety percent of sample respondents, across most age groups indicated the use of personal banking services, with the age category (31-40) years yielding the highest percentage (98%) of use. The lowest relative percents (89%) was cited by the respondents in the over 60 category. It is possible that the over 60 age group do not possess as great a need for personal banking services as respondents in the other age categories do. This may possibly be due to the fact that these respondents, as suggested by Murtagh (section 4.3.3 page 45) may not possess the need to utilise personal banking services extensively.

8.3.3.1.1 Personal banking services utilised and satisfaction

Specific personal banking services as utilised by the various age categories are analysed as well as respondent satisfaction with the services.

Table 8.40: Age and personal banking services utilised and satisfaction therewith

	Age group									
	21-30 (%) <i>N</i> – 113		31-40 (%) <i>N</i> – 96		41-50 (%) <i>N</i> – 97		51-60 (%) <i>N</i> – 91		>60 (%) <i>N</i> – 85	
	<i>U</i>	<i>S</i>	<i>U</i>	<i>S</i>	<i>U</i>	<i>S</i>	<i>U</i>	<i>S</i>	<i>U</i>	<i>S</i>
Debit cards	88	96	77	92	74	93	64	91	44	97
Deposit	84	99	83	93	91	94	87	92	74	98
Debit orders	84	89	85	93	57	89	78	93	58	94
Internet banking	58	97	46	90	42	98	34	94	21	89
Credit cards	53	98	68	94	71	86	65	90	61	92
Savings options	49	81	52	92	62	88	53	90	51	95
Cell-phone banking	21	71	20	84	16	94	12	100	5	100
Telephone banking	19	48	14	77	15	93	11	100	9	88
Average	57	85	56	89	57	92	51	94	40	94

(i.) Services utilised

Respondents over 51 years old recorded a slightly lower usage of personal banking services. This may be due to the fact that there is currently a very small need for these respondents to utilise these services, while there is a greater need among other younger respondents. There is also a decrease in the use of services such as telephone and cell-phone banking as the age category increases. As such, it is possible to state that clients may select the services utilised on the basis of their needs. Accordingly, different age categories experience the need for different services. This theory was propagated by Murtagh (section 4.3.3 page 95) and may be proven within the study. To illustrate, respondents in the 21-30 age group recorded the highest percentage of respondents using Internet banking (58%). While conversely these respondents yielded the lowest percentage of respondents utilising savings options (49%). They also cited the highest percent of respondents utilising cell-phone (21%) and telephone banking (19%). The 21-30 age category prefer more automated facilities that are quick and easy to use. Sample respondents in the 21 to 30 age category indicated that they do not utilise credit cards (53%) extensively, this may be due to financial reasons. Reference to prior cross tabulation analysis will

indicate that respondents in this age category are primarily classified in the low-income group.

Sample respondents in the (31-40) age group save more (52%) than respondents in the (21-30) age category. The (41-50) age group of sample respondents yielded the highest percentage of utilising the savings option (62%). It is possible that these respondents are in a different stage of the family lifecycle and consequently have more funds available with which to save. In relation to Internet banking only 21% of the over 60 age category utilised this service, as the age of respondents increases, the use of technology decreases. Some may argue that this lack of use may be due to advanced age of this respondent group. However, the researcher is of the opinion that this is a narrow and limited view. Numerous individuals continue working past the age of 60 and government is considering altering the age of retirement to 70. Most businesses use some form of Internet activity on a daily basis. Therefore, the non-use may be due to factors such as lack of confidence or awareness thereof, rather than solely based on age. It is apparent that the various age groups adjust their personal banking usage dependant on their age and stage in the lifecycle.

(ii.) Satisfaction with personal banking

As seen from Table 8.40 there is an increase in satisfaction levels as the age category increases, with respondents over 51 years old recording the highest percentages of satisfied respondents. Respondents in the (21-30) category recorded the lowest levels of satisfaction. It is possible that respondents in the older categories experience better quality service than those respondents in the younger age categories. Commercial banks therefore differentiate their service delivery on the basis of age. To illustrate, more than eighty percent of respondents across all age categories indicated that they were satisfied with service delivery. It is possible to determine that respondents are generally satisfied with the service delivery of personal banking services across all age

categories. This indicates that clients possess favourable perceptions towards the service delivery of this category and do not possess the lower satisfaction levels as anticipated in the problem statement of this study.

Within the (21-30) age category, the least satisfactory service was telephone-banking (48%). While, this service was not extensively utilised, the sample respondents who utilised it were not satisfied therewith. Telephone banking includes, to a large degree, contact with a call center, therefore in this sample it would appear that call centers deliver lower quality service, resulting in lower satisfaction levels. Of the various services utilised by the (31-40) group of respondents they were also the least satisfied with telephone banking (77%). Sample respondents in the (41-50) age category were less satisfied with the service delivery associated with credit cards. Over ninety percent of respondents in the 51-60 category were satisfied with the service delivery across all personal banking services. A similar situation occurred with respect to respondents in the over 60 category. However, these respondents were less satisfied with the service delivery of telephone banking (88%) and Internet banking (89%).

8.3.3.1.2 Explanation of services and satisfaction

As noted in previous sections explanations are relevant to this research as they determine whether commercial banks comply with regulations governing service delivery, as well as providing respondents with the necessary information to evaluate services and determine satisfaction levels. Within the table 'E' denotes the explanation of the service, while 'S' denotes client satisfaction with the explanation they received. Only respondents who indicated that a specific service was explained to them were required to indicate their satisfaction.

Table 8.41: Age and discussion of personal banking services and satisfaction therewith

	Age group									
	21-30 (%)		31-40 (%)		41-50 (%)		51-60 (%)		>60 (%)	
	<i>N</i> – 113		<i>N</i> – 96		<i>N</i> – 97		<i>N</i> – 91		<i>N</i> – 85	
	<i>E</i>	<i>S</i>	<i>E</i>	<i>S</i>	<i>E</i>	<i>S</i>	<i>E</i>	<i>S</i>	<i>E</i>	<i>S</i>
Debit cards	78	85	70	92	67	94	55	92	38	88
Debit orders	74	80	69	88	74	95	68	93	54	78
Types of transactions	72	82	75	86	73	87	68	94	71	90
Deposit	68	79	70	87	80	91	67	88	64	87
Interest rates	65	57	62	82	71	82	59	89	68	86
Credit cards	57	78	59	91	69	91	58	91	55	87
Savings options	53	74	49	85	62	90	53	86	51	81
Internet banking	50	82	34	84	41	98	29	88	20	76
Cell-phone banking	22	61	16	67	18	82	11	90	5	50
Telephone banking	20	52	11	91	18	94	10	89	9	75
Average	56	73	52	85	57	90	48	90	44	80

(i.) Services discussed

Research indicated that most responses as to whether services were explained are concentrated in the (45 to 60) age categories. However, the 41 to 50 age category, consistently yielded higher percentages of respondents indicating that the service they utilised was discussed with them. The least number of respondents, across all aspects, in the over 60 category indicated that the service they utilised was discussed with them. Therefore, within this specific sample there appears to be a tendency by commercial banks to neglect service explanations to these clients, thus denying them their rights. Therefore, within this sample, there are instances of service delivery decrease as the age category increases.

Respondents in the over 51 age category indicated lower percentages of respondents who stated that personal banking services were explained to them. This indicates differentiation of service delivery by commercial banks based upon

age. Furthermore, the explanation of services to clients is conducted by staff. These findings indicate a lower level of service delivery by staff.

(ii.) Satisfaction with discussion

The purpose of this research was primarily to determine whether respondents possess lower satisfaction levels and perceptions of the industry. To determine this it was necessary to determine their satisfaction with services as this may influence industry perceptions. Satisfaction with discussion, which is in essence a support service, offered by commercial banks on which they do not generate income, is consequently also a contributory factor. On an overall basis all respondents in all age categories are satisfied with the service they received.

Research has indicated that respondents in the (21 to 30) age category possess significantly, on average, lower satisfaction levels than their counterparts in the other age categories. This is particularly evident in relation to telephone and cell-phone discussions (52% and 61% respectively). Furthermore, they indicated 15% fewer respondents satisfied with interest discussions. Consequently, this particular group of sample respondents may have lower perceptions of the industry. As these respondents are still in the early categories, they will be utilising services from commercial banks for an extended period. This negative perception may continue during this timespan. Overall, all age categories are satisfied with the discussion of service. However, telephone banking, cell-phone banking and Internet banking appear to be less than satisfactory irrespective of age group.

8.3.3.2 *Investment banking according to age*

Use of investment banking in relation to age categories is analysed as follows.

Table 8.42: Age and use of investment banking

	Age group				
	21-30 (%) <i>N</i> – 117	31-40 (%) <i>N</i> – 98	41-50 (%) <i>N</i> – 101	51-60 (%) <i>N</i> – 98	>60 (%) <i>N</i> – 95
No	75	73	70	65	57
Yes	25	27	30	35	43

Respondents in the (21-30) age category yielded the lowest percentage (25%) of respondents who utilise this service, while the over 60 category yielded the highest (43%). Responses across the other age categories varied between (27 – 35%). It is clear that the usage percentage increases in correlation to the age category. It is, therefore, possible to assume the investment service increases as age does. This is a logical occurrence as the need to invest and save differs according to various stages in the lifecycle. Respondents in the older age categories perhaps possess excess funds, which allow them to invest.

8.3.3.2.1 Use of investment services and satisfaction

To minimise errors it was required to determine whether a service was utilised by a respondent prior to determining their satisfaction therewith. Furthermore, usage rates may assist commercial banks in identifying methods on which to segment the sample, to assist in relationship marketing and the delivery of services to best satisfy the sample respondents' needs.

As noted in Table 8.43 few services were cited by more than fifty percent of respondents, in any age group, as being utilised. However, it is noted that the sample respondents who indicated that they utilised the service were satisfied with the service delivery they received.

Table 8.43: Age and investment services utilised and satisfaction

	Age group									
	21-30 (%)		31-40 (%)		41-50 (%)		51-60 (%)		>60 (%)	
	N – 29		N – 26		N – 30		N – 34		N – 41	
	U	S	U	S	U	S	U	S	U	S
Explanation of services	62	78	77	90	73	95	74	95	54	82
Investment deposits	59	82	31	88	77	96	56	89	78	88
Insurance	45	92	50	100	37	91	41	93	29	83
Money market accounts	38	100	15	75	27	88	47	94	44	100
Retirement funds	34	70	27	100	33	100	29	100	24	100
Unit trusts	28	50	19	80	27	100	24	88	49	80
Trusts	17	100	15	75	20	100	38	85	46	85
Shares	17	60	12	67	7	50	3	100	10	100
Annuities	14	100	23	100	30	100	21	100	29	92
Offshore investments	10	67	8	100	7	50	3	0	12	100
Mutual funds	7	100	4	100	3	100	3	100	15	100
Average	30	82	25	89	31	88	31	95	35	92

(i.) Services utilised

Investment deposits were cited by four of the five age categories as the most utilised investment service, with respondents in the over 60 category indicating the highest percentage of use. There is a 19% difference in the use of this service between the (21 – 30) and over 60 age categories. Sample respondents, therefore appear to use this service more as they advance in age. It is also a possibility that, in relation to this specific sample of respondents, commercial bank staff promoted investment deposits more to the advanced age groups as they are a relatively stable investment with less risk involved. Across all age categories the least utilised services were offshore investments, mutual funds and shares. These services are slightly more risky and also require a greater capital outlay therefore, they may not be as popular.

In relation to offshore investments and mutual funds, respondents in the over 60 age category yielded the highest relative percentage of use (12% and 15%

respectively). However, respondents in the (21 – 30) age category yielded the highest relative percentage of use (17%) for shares. As there is more risk involved it may be concluded that sample respondents attempt to reduce risk in investment as they advance in age, while younger respondents are more willing to use investments with higher risk involved. Less than seventy percent of respondents in the (21 – 30) age category (62%) and over 60 age category (54%) indicated that the services were explained to them. This indicates lower delivery of this service to the youngest and oldest respondents by staff members. Within this specific sample of respondents there was a tendency by commercial banks to differentiate the service delivery of this service, electing to neglect explanation to sample respondents in the younger and the older age categories, focusing on respondents in the middle age categories. This may indicate a small lack of service delivery as such sample respondents may develop poor perceptions of the commercial banking industry, together with below optimal satisfaction levels.

(ii.) Satisfaction with service

The primary objective of the study was to determine client satisfaction levels in relation to service delivery. Research indicated that across all categories, these sample respondents appeared to be satisfied with the service delivery they received. Therefore, in relation to the problem statement of this research, we may conclude that respondents in all age categories are satisfied on an overall basis with investment banking services.

However, there are individual areas with which they are not satisfied. To illustrate, sample respondents in the (21 – 30) age category yielded slightly lower levels of satisfaction. These respondents seemed less satisfied with the service delivery of unit trusts (50%) and shares (60%). The explanation of investment banking services was also indicated as satisfactory by only 78% of respondents. It is therefore, possible to determine that these respondents are less satisfied. In

relation to this specific sample, it may appear that commercial banks differentiate their service delivery according to age and therefore deliver a lower service quality to younger clients.

The respondents in the (31-40) and (41-50) age categories were primarily satisfied with the service delivery they received with the exception of shares and offshore investments (50%) for respondents in the (41-50) category and shares (67%) for respondents in the (31 – 40) age category. No (0%) respondents in the (50 – 61) age category that had utilised offshore investments were satisfied with the service delivery thereof. This clearly indicates low satisfaction levels among these sample respondents, indicating substandard service delivery and ultimately negative perceptions of the industry by these respondents.

Eighty-two percent of respondents in the over 60 age category indicated that they were satisfied with the explanation of services that they received. This is up to 13% different from respondents in the (31 – 50) age category. It would therefore, indicate that commercial banks are not delivering this service to the degree that these clients would prefer.

8.3.3.3 *Loan services differentiated by age*

Respondents were asked to indicate their use of loans. Research derived that the highest concentration of respondents utilising loan services were in the (31 – 40) and (41 – 50) age categories. Fewer respondents in the (21 – 30) age category and over 60 age categories utilised loans.

This situation may be explained through the current requirements of the sample respondents. As advocated by Koegal (section 4.3.2 page 95) age and stage of lifecycle (in other words needs and motives) may influence services utilised.

Table 8.44: Age and use of loans

	Age group				
	21-30 (%) <i>N – 117</i>	31-40 (%) <i>N – 98</i>	41-50 (%) <i>N – 101</i>	51-60 (%) <i>N – 98</i>	>60 (%) <i>N – 95</i>
Do not use loan services	52	37	34	51	72
Use loan services	48	63	66	49	28

Therefore, the reason that only 28% of respondents in the over 60 category utilising loans may be due to the fact that they have moved through the stage of acquiring assets (loans primarily used to acquire assets) and no longer have the needs which this service may satisfy.

8.3.3.3.1 Loan services utilised and satisfaction

The various loan services utilised in relation to the different age groups are discussed below. Only sample respondents who indicated that they utilise loan services were required to indicate which specific services they utilised and their satisfaction therewith. In the table 'U' denotes the explanation of service delivery, while 'S' denotes client satisfaction with the service.

Table 8.45: Age and loan services utilised and satisfaction

	Age group									
	21-30 (%) <i>N – 117</i>		31-40 (%) <i>N – 98</i>		41-50 (%) <i>N – 101</i>		51-60 (%) <i>N – 98</i>		>60 (%) <i>N – 95</i>	
	U	S	U	S	U	S	U	S	U	S
Explanation of loans	75	100	79	93	76	100	81	100	74	89
Vehicle finance	46	85	47	100	52	94	54	96	37	86
Student loans	43	79	15	78	10	71	23	91	11	91
Personal loans	38	86	60	92	42	93	44	100	41	100
Residential loans	27	87	69	86	79	91	62	100	67	100
Building loans	4	50	15	88	16	100	23	82	26	100
Average	39	81	48	90	46	92	48	95	43	94

(i.) Services utilised

Average usage percentages across all the age groups are relatively similar, with the exception of the (21-30) group who recorded slightly lower use of loans than the other groups. It may be determined that the use of loans is influenced by needs, which are often determined by age, as advocated by Murtagh (section 4.3.3 page 95). To illustrate respondents in the (21-30) category yielded the highest percentages of use (43%) of student loans than the other groups. These respondents may still be studying or repaying student loans. Respondents in the (31-40) and (41-50) age categories recorded higher percentages of use in relation to residential loans.

Research indicated that the use of loans is influenced by the age of the respondents. To illustrate, vehicle finance was the most utilised service (46%) among respondents in the (21 – 30) age category, while among respondents in the (31 –40), (41 – 50), (51 – 60) and over 60 category the most utilised service was residential loans (69%, 79%, 62% and 67% respectively). It is during this stage that more stability is required and therefore, together with the family life cycle stage, loan use may differ. Personal loans are the most utilised by respondents in the (31 – 40) age category (60%). Vehicle finance was cited as being used more by respondents in the (51 – 60) age category (54%). Explanation of loan services was not indicated as being utilised by a high percentage of respondents. As mentioned previously, the complicated nature of loan services necessitates the need for explanation of the service to be conducted.

(ii.) Satisfaction with loan use

The findings indicate a difference in satisfaction levels among respondents in the different age categories. To illustrate, respondents in the (21 – 30) category yielded the lowest relative percentage of satisfied respondents (81%). The

respondents were the least satisfied with student loans (79%) of which they were the predominant users. However, all the respondents who received explanations on loan services were satisfied with the delivery of this service. This is the ideal situation and represents that quality service delivery will result in improved satisfaction levels. Weallens' theory (section 2.3 page 36) is supported by these findings. According to this theory, feelings about satisfaction with regard to services are highly dependent on clients' prior expectations. It is therefore imperative that the service provider determines what clients want, and how best to satisfy those wants.

Personal loans were indicated as satisfactory by 92% of respondents in the (31 – 40) age category (these respondents were predominant users of this service). These respondents were also satisfied with vehicle finance. The least satisfactory loans service for these respondents were residential loans (86%). Respondents in the (41 – 50) and (51 – 60) age categories were primarily satisfied with the service delivery. However, student loans and building loans were cited by the least number of respondents in these categories as satisfactory (71% and 82%) respectively. Respondents in the over 60 category appear to be least satisfied with building loans (86%). All sample respondent groups appear to be satisfied with the explanation of loan services that they received.

8.3.3.3.2 Explanation of loan services and satisfaction

Core aspects of loan services discussion and their delivery, relative to age are indicated in Table 8.46. As advocated by Gitomer (section 2.3.2.1 page 40) the provision of explanations and information to clients assist assessing services. From these assessments it is then possible for clients to develop realistic perceptions of the quality of service delivery. Client satisfaction is also affected as a result. Consequently, explanations form a crucial part of service delivery. Within the table, 'E' denotes the explanation of the service, while 'S' denotes the satisfaction with the discussion.

Table 8.46: Age and core aspect discussions and satisfaction therewith

	Age group									
	21-30 (%) <i>N – 117</i>		31-40 (%) <i>N – 98</i>		41-50 (%) <i>N – 101</i>		51-60 (%) <i>N – 98</i>		>60 (%) <i>N – 95</i>	
	<i>E</i>	<i>S</i>	<i>E</i>	<i>S</i>	<i>E</i>	<i>S</i>	<i>E</i>	<i>S</i>	<i>E</i>	<i>S</i>
Procedure for obtaining loan	95	92	92	88	88	97	92	98	85	87
Time span for approval	95	81	90	93	88	97	94	95	85	91
Requirements	91	92	100	95	88	98	98	94	85	91
Interest charged	89	63	94	79	88	86	94	93	81	82
Fees/costs involved	84	73	94	81	88	88	92	89	85	87
Determination of granting a loan	82	80	85	94	82	93	88	98	81	91
Average	89	80	93	74	87	93	93	95	83	88

(i.) Core aspects discussed

Research has indicated that respondents, across all categories received explanations of the core aspects. An average of over eighty- percent of all sample respondents indicated that the services were discussed with them. However, while these percentages may be considered high, as indicated by Mittner (section 5.5.1 page 121) all services are required to be explained to all respondents. Percentages of less than 100% indicate that these services were not delivered according to regulations. Furthermore, deliverance of the service by staff appears to be differentiated on the basis of age as respondents in the over 60 age category recorded the lowest percentage of respondents stating that this service was delivered.

(ii.) Satisfaction with explanations

Sample respondents in the (31-40) age category were relatively less satisfied with the quality of the discussion they received. This may indicate that for these specific respondents there were certain aspects of the discussion with which they were dissatisfied. In relation to the fees / costs involved respondents in the (21-

30) category yielded approximately 8% lower satisfaction levels than the other categories. Sixteen percent fewer of these respondents indicated satisfaction with the explanations. These respondents are thus indicating that when these aspects are discussed, there are certain aspects, which the clients regard as less satisfactory. These respondents were less satisfied with commercial bank service delivery than respondents in the (41 to 50) age category and (51 to 60) age category, thus it would appear for this specific sample, the commercial banks deviated their service delivery.

8.3.3.4 *Foreign exchange and age classification*

Use of foreign exchange, relative to age categories, is indicated below.

Table 8.47: Age and foreign exchange

	Age group				
	21-30 (%)	31-40 (%)	41-50 (%)	51-60 (%)	>60 (%)
Satisfied with service delivery	85	81	81	85	88
Use of foreign exchange	15	19	19	15	12

It is possible to determine from the above table that foreign exchange is not extensively utilised by respondents across any age category. However, all respondents who utilised the service were over eighty percent satisfied with the service they received and the accompanying explanations. Relatively, respondents in the (31 – 40) and (41 – 50) age categories recorded slightly lower percentages of respondents satisfied with the service delivery.

8.3.3.5 *General banking experience and age classification*

General banking services relate to all aspects of commercial banking that are not specifically allocated to a service category. It also determines sample respondent's overall perceptions and satisfaction levels in relation to commercial

banking. Furthermore, these questions represent all aspects that can not be assigned to one singular service category (for instance personal banking). As such these aspects may be utilised across all services and are therefore considered general in nature. The results of the analysis are contained in the Table 8.48.

Table 8.48: Age and general banking experience

	Age group				
	21-30 (%) <i>N</i> – 117	31-40 (%) <i>N</i> – 98	41-50 (%) <i>N</i> – 101	51-60 (%) <i>N</i> – 98	>60 (%) <i>N</i> – 95
Ease of use of systems	91	95	93	89	84
Facilities available and convenient	87	90	94	92	94
Friendliness of staff	83	78	92	83	97
Products offered	78	90	95	88	88
Quality of service	75	84	89	83	95
Services offered	74	83	93	88	95
Satisfaction with banking	72	80	88	87	95
Service delivery by staff	72	79	88	85	95
Understand banking	71	82	91	83	96
Staff knowledge	68	81	84	83	91
Staff interest	60	66	79	82	91
Manner of developing a relationship	59	71	77	77	85
Bank keeps clients informed of all changes	56	67	85	84	89
Bank costs	53	62	62	57	75
Management of investment	53	59	59	67	72
Average	71	78	85	82	89

Average satisfaction in relation to the general aspects of banking that can not be mutually allocated towards one specific service category, varies according to the age categories. With this research it was noted that satisfaction increased as the age category increased. To illustrate, sample respondents in the (21 – 30) age

category yielded the lowest relative percentage of satisfied respondents (71%). This is 7% lower than respondents in the (31 – 40) category and 18% lower than respondents' in the over 60 category. It is possible to indicate that commercial banks delivered a lower level of service to these sample respondents. Of the fifteen listed areas, respondents in the (21 – 30) age category yielded the lowest satisfaction levels across all age groups in thirteen of the listed areas. With reference to the staff component respondents in the (21 to 30) age category rated staff knowledge (between 15% to 23% lower) and staff interest was rated (between 6% to 31% lower) as less satisfactory than the other age groups. Similarly, manner of developing relationship was 12% lower than the other categories; while the extent to which commercial banks keep clients informed of changes was 11% lower than the other categories. These results indicate that respondents are not satisfied with the service delivery of staff, or the manner in which commercial banks develop relationships.

Satisfaction levels within the (31-40) and (41-50) age categories were consistently higher across most services, with the exception of staff friendliness (78%), than the youngest age category. It is therefore, possible to state that service delivery improved for respondents in this age category. Within the (51–60) age category there is a decrease in the average satisfaction level relative to the (41-50) category. Of the fifteen listed services, respondents in the (51–60) category found twelve of the categories to be less satisfactory than respondents in the (41–50) category. These respondents therefore perceive a slightly lower quality of service delivery than in relation to the other respondents. Reference to the table indicates that these respondents were more dissatisfied with the staff component than the (41-50) age category. Respondents in the over 60 category yielded the highest average percentage of satisfied respondents (89%). These respondents also consistently indicated the highest relative percentages of satisfied respondents among the age groups. Twelve of the listed aspects recorded the highest percentage of satisfied respondents in this age category. Bank cost satisfaction levels were between 13% to 22% higher than for the other

age categories. It is therefore, possible to propose that commercial banks delivered a higher quality level of service to these respondents than to the other categories, thus increasing their satisfaction levels. In relation to general banking services it is possible to note that there are variation in service delivery according to age as respondents in the over 60 age category recorded the highest average of respondents satisfied with service delivery.

8.3.3.6 *Automation of service / interaction with staff and age classification*

Sample respondent's preferences relative to age for automation of systems or staff interaction are indicated in the table below. Respondents were asked, in two separate questions, as to whether they preferred systems to be computerised or interaction with staff. Respondents were questioned via a separate question as to whether they would prefer interaction with staff. A separate question then asked respondents to indicate whether they would prefer automation of systems. These two questions were therefore mutually exclusive of each other.

Table 8.49: Age and automation preferences

	Age group				
	21-30 (%)	31-40 (%)	41-50 (%)	51-60 (%)	>60 (%)
Prefer interaction with staff	47	69	73	86	80
Prefer automation	33	19	26	10	16

Respondents in the (21 – 30) age category prefer automation (33%) to a higher degree than the other age categories. It may be suggested that within this specific sample, this age category has a higher pre-disposition towards technology and innovation. Respondents in the (51 – 60) age category yielded the highest percentage of respondents (86%) preferring to interact with staff. Respondents in the over 60 age category yielded the second highest percentage (80%) of respondents preferring interaction with staff. Therefore, it may be

concluded that respondents in the older age categories recorded higher percentages of respondents preferring to interact with staff. A larger percentage of respondents in the (21-30) age category preferred automation (33%). These respondents are more familiar and comfortable with technology and are therefore more willing to use automated systems.

8.3.4 Gender analysis

Cross tabulations were conducted in order to determine sample respondent's satisfaction levels in relation to the specific gender groups. Cross tabulation results are divided into sections corresponding with the questionnaire.

8.3.4.1 *Use of personal banking and gender classification*

The use of personal banking according to specific gender is indicated in Table 8.50. Most of the respondents (male and female) make use of personal banking services.

Table 8.50: Gender and personal banking

	Gender	
	Male (%) <i>N – 218</i>	Female (%) <i>N – 291</i>
Use personal banking services	94	95
Do not use personal banking services	6	5

8.3.4.1.1 Personal banking services utilised and satisfaction

Respondents were asked to indicate which personal banking services they utilised and their satisfaction therewith. Within the tables 'U' denotes the utilisation of services, while 'S' denotes client satisfaction with the service.

Table 8.51: Gender and personal banking services utilised

	Gender			
	Male (%) <i>N</i> – 218		Female (%) <i>N</i> – 291	
	<i>U</i>	<i>S</i>	<i>U</i>	<i>S</i>
Deposit	83	93	85	97
Debit orders	78	92	80	91
Credit cards	70	90	58	94
Debit cards	69	93	71	94
Savings options	54	89	52	89
Internet banking	46	97	38	93
Telephone banking	19	77	10	75
Cell-phone banking	17	82	14	88
Average	55	89	51	90

(i.) Services utilised

There are close similarities in the average use of personal banking services (55% and 51% respectively) between men and women. Men however, recorded a slightly higher average percentage (55%) of use than women. Furthermore, there are numerous instances where the usage of services by men closely resembles that of females, for example deposits (83% and 85%). However, there are instances where usage differs among the gender groups. To illustrate, credit cards are utilised by 12% more male respondents, telephone banking by 9% more males and Internet banking by 8% more males. These figures indicate that men prefer the more technologically advanced services than females. Hereby, a correlation exists with the theory propagated by Andronikradis (section 4.9.3 page 117) that gender influences service use.

(ii.) Satisfaction with personal banking services

In relation to satisfaction with services, there were also close similarities between the satisfaction percentages of the two gender groups. To illustrate, savings options where 89% of both male and female respondents were satisfied with the service delivery they received. However, there were certain instances where

females recorded slightly higher levels of satisfaction with the service delivery they received (deposits and credit cards for instance). This may indicate that male respondents were of the opinion that an aspect of the delivery of this service was not according to their expectations and as such the service quality was less satisfactory. Conversely, male respondents were more satisfied with Internet banking and telephone banking service delivery than females.

8.3.4.1.2 Explanation of personal banking services and satisfaction according to gender classification

Respondents were required to indicate whether the commercial banks discussed the various services they utilised. In Table 8.52, 'E' denotes explanation of the service and 'S' denotes satisfaction with the explanation.

Table 8.52: Gender and discussion of services and satisfaction therewith

	Gender			
	Male (%) <i>N</i> – 218		Female (%) <i>N</i> – 291	
	<i>E</i>	<i>S</i>	<i>E</i>	<i>S</i>
Types of transactions	73	87	71	87
Debit orders	68	88	68	88
Deposit	66	83	73	89
Interest earned	66	76	64	80
Credit cards	65	88	56	87
Debit cards	60	89	64	91
Savings options	54	79	53	86
Internet banking	40	89	33	84
Telephone banking	15	72	13	81
Cell-phone banking	14	69	16	72
Average	52	82	51	85

(i.) Explanation of services

It is important to note that low percentages of respondents across both categories indicated that services were explained to them. This indicates non-deliverance of this service. Male respondents cited telephone banking (15%),

cell-phone banking (14%) and Internet banking (40%) as being the least discussed. It may be probable that commercial bank staff elected to make the assumption that male respondents are more technologically aware than females, and differentiated the service delivery accordingly. This is in contradiction to the specifications stated in the National Credit Act (section page), as all services must be equally explained to all respondents irrespective of gender. This differentiation of service delivery is further proven and does not occur exclusively in relation to technological services. To illustrate, seven percent more female respondents indicated that deposits were discussed with them than with male respondents once again. Internet banking (33%), cell-phone banking (16%) and telephone banking (13%) were the least discussed services. Credit cards were not indicated by a relatively high percentage of female respondents as being discussed (56%). There is a nine- percent difference between the number of male respondents who indicated that credit cards were discussed as opposed to female respondents.

(ii.) Satisfaction with explanation

Over eighty percent of respondents in each gender category indicated that they were satisfied with the service delivery. Female respondents also indicate in seven of the ten listed areas a greater satisfaction than males. There was a nine- percent difference in the number of female respondents who were satisfied with telephone banking discussions than male respondents (81% and 72% respectively). In relation to the population as a whole this indicates 1 393 290 male clients who are less satisfied than females. A similar situation occurs in relation to cell-phone banking. Male respondents generally indicated lower satisfaction levels. It may be stated that the service delivery of commercial banks is not according to the expectation and standards of these sample respondents. As such the satisfaction levels were slightly lower. Continued dissatisfaction may result in negative perceptions of the industry as a whole being formed by these respondents. These differing levels of satisfaction

indicate that male respondents are less satisfied with the explanations they received.

8.3.4.2. Investment services and gender classification

Use of investment services by the various gender groups, are analysed as follows. The table below indicates the extent to which men and woman utilise investment services.

Table 8.53: Gender and investment services used

	Gender	
	Male (%) <i>N – 218</i>	Female (%) <i>N – 291</i>
Do not use investment services	68	69
Use investment services	32	31

As seen in Table 8.53, it is clear that slightly over thirty percent of both males and females utilised investment services. The low percentage of use may be attributed to the current economic situation with respondents not possessing excess funds to invest.

8.3.4.2.1 Investment services utilised and satisfaction according to gender classification

The various investment services utilised by the different age groups are analysed below. As clarified previously in the chapter, in order to minimise errors it was required to determine whether a service was utilised by a respondent prior to determining their satisfaction therewith. Furthermore, usage rates may assist commercial banks in identifying methods on which to segment the sample, to assist in relationship marketing and the delivery of services to best satisfy the sample respondents needs. The average value is calculated as the average of

all the percentages in the utilisation column divided by the number of services for this specific service category. This provides an average overview of the specific services

Table 8.54: Gender and investment services utilised and satisfaction therewith

	Gender			
	Male (%) <i>N</i> – 69		Female (%) <i>N</i> – 91	
	<i>E</i>	<i>S</i>	<i>E</i>	<i>S</i>
Explanation	74	78	62	73
Investment deposits	67	91	58	88
Money market accounts	41	96	32	93
Retirement funds	39	93	22	95
Insurance	39	89	40	94
Unit trusts	35	75	27	84
Annuities	33	96	16	100
Trusts	25	88	33	87
Shares	14	80	5	60
Off-shore investments	10	86	7	67
Mutual funds	7	100	7	100
Average	35	88	28	85

(i.) Services utilised

It is clear from Table 8.54 on average, relatively low percentages of respondents indicated that they utilised investment services across each gender group. Male respondents indicated a seven- percent (7%), on average, higher usage rate than females. As stated by Andronikradis and Dimitriadis (section 4.9.3 page 117), it is possible to segment the market on the basis of gender. It may be concluded that purchasing patterns differ between men and women. This theory is supported by the findings of this research. To illustrate, there is a nine percent (9%) difference between the percentage of male respondents utilising investment deposits and females using the same service. In relation to the explanation of services, 62% of females sample respondents indicated that investment services were explained to them. This is twelve percent fewer than men.

(ii.) Satisfaction with investment services

On an overall basis males and females recorded similar percentages of satisfied respondents. However, it would appear that service delivery is slightly differentiated on the basis of gender. To illustrate, male respondents yielded higher percentages of satisfied respondents in six of the investment service areas than female respondents. Female respondents indicated slightly lower percentages of satisfied respondents as opposed to men in specific offshore investment (67%). It was only in relation to unit trusts (84%) that female respondents indicated a higher percentage of satisfied respondents.

8.3.4.3 *Loan service and gender classification*

Usage of loan services according to the different gender groups is statistically analysed in Table 8.55.

Table 8.55: Gender and use of loans

	Gender	
	Male (%) <i>N – 218</i>	Female (%) <i>N – 291</i>
Use loan services	57	46
Do not use loan services	43	54

It would appear that more male respondents within the sample (57%) utilised loan services more than female respondents do.

8.3.4.3.1 *Loan services utilised and satisfaction according to gender classification*

Only sample respondents who indicated that they utilised specific loan services were required to indicate their satisfaction therewith.

Table 8.56: Gender and loan services utilised and satisfaction

	Gender			
	Male (%) <i>N</i> – 125		Female (%) <i>N</i> – 135	
	<i>U</i>	<i>S</i>	<i>U</i>	<i>S</i>
Explanation of loans	81	100	74	100
Residential loans	63	95	59	86
Vehicle finance	50	97	47	92
Personal loans	37	87	53	96
Building loans	22	93	10	77
Student loans	21	85	21	79
Average	46	93	44	88

(i.) Services utilised

A similar average percentage of male and female respondents utilised loan services (46% and 44% respectively). However, male respondents did record slightly higher percentages of use than females. There are also certain instances where usage of services by male respondents exceed that by female respondents. To illustrate, sixteen percent more female respondents utilised personal loans than males. However, twelve percent more male respondents (81%) indicated that loan services were explained to them than females (74%).

(ii.) Satisfaction with loan service

As seen in Table 8.55 there is a five- percent difference in the number of satisfied male (93%) and satisfied female (88%) respondents. Male respondents indicated higher satisfaction levels in four of the six service areas. It is therefore possible to determine that male respondents were more satisfied with loan service delivery than female respondents. It is also important to highlight that all respondents (male and female) who received explanations of loan services were satisfied with the service delivery. This indicates the situation advocated by Harris (section 5.5.1 page 157), as all respondents were satisfied with the explanations they received. Harris stated that the South African Banking Council

formulated the Code of Banking Practice whereby they regulate the services offered by the banks. Hereby they ensure that a high level of service quality is continuously delivered to clients.

In relation to residential loans (95%), building loans (93%), vehicle finance (97%) and student loans (85%), male respondents indicated between five and sixteen percent higher percentages of respondents who were satisfied with the service delivery. Female respondents however, did show nine percent more satisfied respondents in relation to personal loans than men. It appears that men are more satisfied with loan service delivery than female respondents.

8.3.4.3.2 Explanation of loan services and satisfaction according to gender

Due to the extended and complicated nature of loans, it is necessary that certain aspects be discussed with the clients prior to the selection of the best loan offers for the client. Respondents were required to indicate whether loan services were discussed and explained. These aspects may be considered support services, as they supplement the loan services.

Table 8.57: Gender and loan discussions and satisfaction

	Gender			
	Male (%) <i>N</i> – 125		Female (%) <i>N</i> – 135	
	<i>E</i>	<i>S</i>	<i>E</i>	<i>S</i>
Requirements	94	97	93	93
Procedure for obtaining loan	93	93	89	93
Time span for approval	93	95	89	88
Interest charged	92	84	88	77
Fees/costs involved	91	83	87	83
Determination of granting a loan	87	94	81	89
Average	92	91	88	88

(i.) Core services discussed

Relatively high percentages of both male and female respondents indicated that core service areas were discussed with them. However, across all areas male respondents consistently recorded higher percentages of respondents recording that services were discussed with them (92% and 88% respectively). This indicates that commercial banks vary to the extent to which they deliver this service. To illustrate, in relation to fees and costs / interest charged, four percent more males indicated that the service was discussed with them. It appears that commercial banks vary the extent to which they discuss the core aspects according to gender. On average, across all core aspects there is between one to six percent difference in the number of male respondents indicating that the service was delivered as opposed to females.

The most male respondents indicated the requirements (94%), time span (93%) and procedure (93%) were discussed with them. The least discussed aspect among both males and females was determination (87% and 81%) respectively. Over ninety percent of females indicated that (93%) requirements were discussed. Again more male respondents than females indicated that fees / costs (91%) and interest charged (92%) were discussed with them.

(ii.) Satisfaction with discussion

In terms of average calculations male respondents recorded slightly higher percentages of satisfied respondents (91% and 88% respectively) than females. However, in relation to the interest charged (7% difference) and timespan for approval (7% difference) males recorded higher percentages of satisfaction than females. This indicates that males perceive this service as being of superior quality, with which they are satisfied. These findings support the theory proposed by Brenner (section 2.3.1.2 page 38). An equal percentage of male and female respondents indicated satisfaction with the discussions of procedure

(93%) and fees / costs (83%). For the remaining explanations, on average male respondents indicated between 5% to 7% higher levels of satisfaction than females. It is therefore, possible to conclude that within this specific sample, male respondents receive a superior level of service delivery than females.

8.3.4.4 *Foreign exchange and gender classification*

Foreign exchange usage in relation to gender groups is indicated as follows.

Table 8.58: Gender and foreign exchange

	Gender	
	Male (%)	Female (%)
Satisfied with service delivery	81	88
Use of foreign exchange	15	17

From the Table 8.58 it is noted that few respondents utilise foreign exchange services. Female respondents indicated a slightly higher percentage of use than males (17% against 15%) respectively. Furthermore, female respondents indicated a 7% higher level of satisfaction with the service and explanation than male respondents did (88% and 81% respectively). Female respondents appear slightly more satisfied with this service delivery than male respondents within this sample.

8.3.4.5 *General banking experience and gender classification*

Gender category responses in relation to general banking experiences are analysed in Table 8.59.

It is possible to determine that female respondents indicated a slightly higher percentage of satisfied respondents than males (82% and 79%) respectively. In twelve of the fifteen listed areas female respondents indicated higher

percentages of satisfaction than male respondents did. It therefore appears that female respondents within the sample are more satisfied than male respondents.

Table 8.59: Gender and general banking experience

	Gender	
	Male (%) <i>N – 218</i>	Female (%) <i>N – 291</i>
Facilities available and convenient	92	91
Ease of use of systems	90	91
Services offered	88	87
Friendliness of staff	86	86
Products offered	84	90
Understand banking	83	86
Quality of service	82	87
Service delivery by staff	82	84
Satisfaction with banking	80	87
Staff knowledge	77	83
Staff interest	75	76
Bank keeps clients informed of all changes	75	76
Manner of developing a relationship	72	75
Management of investment	63	61
Bank costs	58	64
Average	79	82

Female respondents indicated between one to seven percent higher levels of satisfaction than male respondents. It is probable that the service quality delivered corresponded more closely with female respondent's expectations and as such they perceived the service to be more satisfactory. With reference to previous categories of respondents, it is notable that female respondents indicated higher percentages of respondents receiving explanations of services. Therefore, they are more equipped to set realistic standards than male sample respondents as propagated in by Chakravarti and Xie (section 2.3.5.1 page 50). According to Chakravarti and Xie (2006: 224), service standards refer to the requirements as defined by client's focus on pivotal client's requirements that are visible and measured by clients. Service standards are aimed at developing minimum requirements according to which service should be delivered. These

standards are therefore the minimum level of service delivery expected by clients and are determined through interaction with the service provider. Across both gender groups the manner of developing a relationship was recorded as one of the least satisfactory services, as well as staff interest, bank costs and management of investments. These indicate areas where service delivery is below the preferred levels for clients. The staff aspect is a common denomination amongst these aspects, and may thus influence these satisfaction levels.

Male respondents indicated that ease of use (90%) and facilities (92%) were the most satisfactory services. According to these respondents' management of investment (63%) and bank costs (58%) were the least satisfactory. Male respondents indicate six percent less satisfied respondents in relation to bank costs than females. Female respondents indicated that ease of use (91%), and facilities (91%) were the most satisfactory services. Staff interest (76%), management of investment (61%) and bank costs (64%) were indicated as the least satisfactory. However, female respondents indicated a greater percentage (by 6%) of satisfied respondents with bank costs than in relation to men. Less than eighty percent of respondents across both groups were satisfied with the extent to which banks kept them informed of changes.

8.3.4.6 Automation of services versus interaction with staff according to gender classification

Respondents were required to indicate whether they would prefer to interact with staff. Then, via another separate question, whether they would prefer automation. These questions are mutually exclusive of each other. The responses of the two gender groups are recorded as follows.

Table 8.60: Gender and automation preference

	Gender	
	Male (%) <i>N</i> – 218	Female (%) <i>N</i> – 291
Prefer interaction with staff	73	72
Prefer automation	22	22

An equal percentage of male and female respondents indicated that they would prefer automation. This percentage is low and indicates that these sample respondents do not prefer automation. Both male and female respondents indicated that they prefer interaction with staff (73% and 72%) respectively. It is, therefore possible to state that sample respondents prefer interaction with staff.

8.3.5 Commercial bank response analysis

The total number of responses obtained was four, as South Africa's commercial banking industry is comprised of four established commercial banks. As seen by the initial results in Section 8.2.2 (page 248), the commercial banks primarily indicated levels of constant service delivery, with perceptions of extreme client satisfaction.

8.3.5.1 *Extent of service delivery*

All commercial banks indicated complete availability and provision of services to clients. All four commercial banks recorded 100% figures in relation to all the service areas (personal banking, investment services, loans and foreign exchange). This indicates that all commercial banks recorded that they delivered their services on a continuous basis. Commercial banks indicated that they ensure that their services are available when clients request them. All commercial banks are of the overall perception that clients are satisfied with their service delivery. As can be derived from Section 8.2 (page 239), clients also indicated an overall satisfaction with the service delivery. This indicates a slight

correlation with commercial bank results. Only in a few instances did commercial banks indicate that they were of the perception that clients may not be entirely satisfied with the service delivered.

However, clients indicated (as seen in section 8.2 page 239) that there are definitive areas where they experience dissatisfaction such as bank costs. Only Standard Bank and FNB indicated that there are certain aspects with which clients may not be satisfied. Standard Bank cited the manner in which relationships are developed, as the area with which clients were dissatisfied. FNB indicated that in their perception clients were dissatisfied with their understanding of the banking procedure. Nedbank and ABSA were under the misconception that clients were completely satisfied with all aspects of their service and service delivery.

8.3.6 Summary of empirical results

The findings of this research have indicated that on an overall basis clients are satisfied with the service delivery they received from the commercial banks. Therefore the problem statement (negative perceptions of the industry) is discarded. Commercial banks are therefore, delivering quality service. There are however, certain areas such as manner of developing relationships, staff service delivery and explanation of services, which are not as satisfactory to clients.

In relation to commercial banks, they seem to be of the perception that all clients are exceptionally satisfied with their service. Furthermore, the methods they utilised to measure quality of service and client satisfaction are not sufficient and indicate a flawed research system, as highlighted by their incorrect perceptions of client satisfaction.

8.4 STATISTICAL ANALYSIS

Certain differences in response groups were identified by using cross tabulation analysis – in specific with reference to income and age. Thus further statistical analysis was required to determine whether any tendencies or patterns in the data are due to random patterns or were statistically significant. The tests utilised were discussed in-depth in section 7.9.1 (page 209).

8.4.1 Introduction

Statistical analysis within this study was conducted using a two-tier system. Firstly, responses within the client database were analysed. To analyse responses within the client database statistically, Chi-Square analysis was utilised. Specific variables were selected on which to base the analysis. In addition to Chi-square analysis, Pearson's Correlation Co-efficient was utilised to determine whether income levels and age influenced service delivery by commercial banks and as a result client satisfaction.

Secondly, analysis was conducted to determine whether the differences in responses between the clients' questionnaires and the commercial banks questionnaires were due to chance, or were actually significantly different. In order to achieve this a T-Test of significance was utilised to compare the two separate databases. As advocated by Gates and McDaniel (section 7.9.2 page 210) T-Test is the appropriate method to utilise when comparing two separate databases and the ratio of difference between two means and the expected dispersion standard deviation around those means.

8.4.2 Chi-Square and probability analysis

Statistical analysis was conducted in relation to the client database. To analyse responses statistically, Chi-Square analysis was utilised. Smith and Fletcher

(2004: 43) regards chi-square test as hypothesis testing which determines whether the difference between two sets of frequencies are significant in that the difference is too great to be attributed to sampling fluctuations. Chi-Square analysis was conducted in relation to: income, age, commercial bank and gender, to determine whether it could be statistically proven if these aspects affect the quality and extent to which commercial banks deliver service. Specific variables were selected on which to base the analysis. Probability values were also utilised in order to determine whether the calculated responses were the result of chance. Hereby the smaller the P-value the smaller the probability that the observed result was due to chance and vice versa.

Calculations were conducted at a 95% (0.05) confidence interval. The X^2 value was derived from a statistical Chi-Square table. The critical figure was determined by identifying the value of a 0.05 confidence interval with two degrees of freedom. Calculated values exceeding the X^2 value were accepted as being statistically different, while values below the X^2 value were rejected as not being statistically different.

For the purpose of this study, the Null-Hypothesis indicates no difference between client responses between the various groups. The Alternative Hypothesis indicates that there is a difference between the two aspects being measured.

The following abbreviations were utilised in the Table 8.60, X^2 refers to the Chi-square critical value. X^2 cal indicates the Chi-square calculated for that variable. A / R refers to the Acceptance (A) or Rejection (R) of the Null Hypothesis. All instances denoted by an 'A' indicate acceptance of the Null Hypothesis, while 'R' indicates the rejection of the Null Hypothesis. P val. denotes the p-value, which is used to indicate the probability value.

Table 8.61: Hypothesis testing by means of Chi-square

No.	Variable	X ²	Income (Q31)			Age (Q30)			Bank (Q27)			Gender (Q32)		
			X ² cal	P val.	A / R	X ² cal	P val.	A / R	X ² cal	P val.	A / R	X ² cal	P val.	A / R
1	Dissatisfied with personal banking (Q7)	5.99	12.30	0.18	R	4.24	0.38	A	10.20	0.07	R	0.48	0.49	A
2	Dissatisfaction with Investment (Q12)	5.99	2.15	0.98	A	10.48	0.03	R	8.01	0.55	R	3.74	0.05	A
3	Fees/Costs – deliver (Q17.5 a)	5.99	11.74	0.16	R	5.16	0.75	A	0.32	0.99	A	1.47	0.22	A
4	Interest charged – deliver (Q17.6 b)	5.99	10.38	0.24	R	15.65	0.21	R	1.71	0.79	A	1.18	0.27	A
5	Fees/costs – satisfaction (Q17.5 b)	5.99	28.40	0.24	R	3.99	0.41	A	17.87	0.04	R	1.81	0.61	A
6	Interest charged – satisfaction (Q17.6 b)	5.99	27.73	0.27	R	31.77	0.02	R	26.73	0.08	R	4.09	0.25	A
7	Dissatisfaction with loans (Q18)	5.99	11.94	0.15	R	13.76	0.08	R	1.55	0.82	A	1.46	0.23	A
8	Dissatisfaction with foreign exchanges (Q23)	5.99	18.73	0.03	R	17.99	0.01	R	6.26	0.18	R	0.06	0.80	A
9	Quality of service (Q24.5)	5.99	27.55	0.43	R	25.43	0.01	R	41.95	0.00	R	2.88	0.41	A
10	Satisfaction (Q24.6)	5.99	31.50	0.25	R	34.19	0.01	R	52.66	0.00	R	9.69	0.02	R
11	Service delivery (Q24.7)	5.99	30.87	0.28	R	35.02	0.00	R	37.31	0.01	R	1.06	0.78	A
12	Friendliness (Q24.8)	5.99	31.80	0.24	R	34.92	0.00	R	13.11	0.59	R	1.17	0.76	A
13	Staff knowledge (Q24.9)	5.99	33.79	0.17	R	29.69	0.03	R	20.84	0.14	R	3.45	0.33	A
14	Staff interest (Q24.10)	5.99	34.47	0.22	R	41.88	0.00	R	36.99	0.01	R	7.44	0.06	R
15	Bank costs (Q24.13)	5.99	71.56	0.00	R	33.73	0.01	R	21.93	0.11	R	3.77	0.29	A
16	Dissatisfied general banking(Q25.3)	5.99	32.40	0.20	R	17.99	0.01	R	8.46	0.13	R	0.13	0.72	A

It has been statistically calculated that service delivery is varied by commercial banks on the basis of certain factors. Commercial banks vary the extent and quality of service delivery based upon factors such as income and age. The Null hypothesis is proven to be true and is accepted.

(i.) Income statistical analysis

It may be seen in variable numbers (1 and 3 – 16) that the calculated variables exceed the tabular Chi-square values. Therefore it is possible to state with a 95% Confidence interval that income influences the satisfaction levels within this specific sample. It is probable that this differing in satisfaction is due to commercial banks delivering variations in quality levels to the different income groups in this sample.

Reference to the p-values further supports this statement. It is noticeable that the values are in essence small with none exceeding 0.5. As per the accepted definition (section 7.9.2 page 211), small p-values represent a minimal chance that the calculated values indicate a chance relationship. As such it is possible to state that service delivery is varied according to respondent income levels, thereby affecting satisfaction levels.

Variable number 2 is the sole instance where it may concluded that there is no statistical difference and that income does not affect satisfaction with investment services in this sample. Therefore, commercial banks do not differentiate their service delivery on the basis of income with relation to investment services. Furthermore the p-value (0.98) is high, indicating that this is due to chance.

(i.) Age statistical analysis

Calculated values in variables (2, 4 and 6 – 16) are all higher than the critical Chi-square value. It is therefore possible to state that the results are statistically

different, and as such there is a difference in responses due to age of respondents. Commercial banks therefore differentiate their service delivery according to the age of the respondents.

Variable numbers (1, 3 and 5) indicated no statistical difference in the responses. No statistical difference indicates that age as a variable does not influence client satisfaction in relation to these aspects, nor do commercial banks vary their service delivery on the basis of the age of the client. These p-values are also higher than the other tests, further emphasising that respondent dissatisfaction with personal banking, fees / cost are not influenced by the age of the respondents. Service delivery by commercial banks in relation to the variable 1, 3 and 5 are therefore uniform and not dependant upon the age of the clients.

(ii.) Bank statistical analysis

This analysis was conducted to determine if the various banks delivered differing degrees of quality service to sample respondents. From the table it may be determined, that results for variables (1, 2, 5, 6, 8 – 16) are all calculated to be higher than the X^2 critical value. As such we may conclude that there is a statistical difference between banks and the sample respondent's responses to these questions. In other words, respondent satisfaction levels are influenced according to which bank delivered the service. Consequently, certain banks deliver a superior level of service relative to other commercial banks. The p-values (low values) further re-enforce that the service delivery among the commercial banks does vary within this sample.

Variables (3, 4 and 7) all have calculated values below that of the Chi-square critical value. As such we may conclude that there is no statistical difference between the service delivery of the various banks. We may thus assume that the service delivery among the various banks is relatively uniform between the banks according to this specific sample. Once again the p-values for these

observations are relatively higher indicating the likelihood that any difference in client responses among the banks for these aspects is due to chance. In relation to fees / costs, interest charged and loan dissatisfaction the services delivered by commercial banks are uniform. Within the South African commercial banking industry, competition on the basis of fees / costs are not possible as the industry is an oligopoly (dominated by a few businesses). Any decrease in costs / fees or interest charged are minimal and not sufficient to start price wars. Therefore service delivery does not differ between the various commercial banks.

(iii.) Gender statistical analysis

Only variables (10 and 14) yielded calculation results exceeding the critical X^2 value. It is therefore, possible to state that there is a statistical difference between these responses and gender groups. In other words, in relation to satisfaction with banking experience and staff interest, there is a statistical difference between male and female responses. The probability values further indicate that these differences are not due to chance. In relation to variables (1 to 9, 11 - 13, 15 and 16), all calculated values are below the critical test statistic. As such we accept the null hypothesis and conclude that there are no statistical differences. Gender therefore does not influence (to such a great extent) respondent's satisfaction or service delivery. These p-values were also relatively high, further supporting this conclusion.

8.4.3 Pearson's Correlation Co-efficient

It was identified in section 8.2, as well as in the chi-square analysis (section 8.4.2) that there were differences in the services delivered and client satisfaction therewith, according to age and income. Pearson's Correlation Co-efficient was utilised to determine whether changes in income levels and age did indeed influence service delivery / satisfaction. Pearson's Correlation Co-efficient analyses the degree to which a change in one variable occurs as a result of

changes in another variable. To illustrate, the extent to which satisfaction levels alter due to increased income. As this tendency was initially identified in the cross tabulations it needed to be analysed further. According to this measure positive values indicate a stronger degree of association while negative values equal lower degrees of association.

Table 8.62: Pearson's Correlation Co-efficient

Test	Variable	Income	Age
1	Dissatisfied with personal banking (Q7)	0.180	0.093
2	Dissatisfaction with Investment (Q12)	0.126	0.248
3	Fees/Costs – deliver (Q17.5 a)	0.223	0.104
4	Interest charged – deliver (Q17.6 a)	0.210	0.123
5	Fees/costs – satisfaction (Q17.5 b)	0.353	0.204
6	Interest charged – satisfaction (Q17.6 b)	0.345	0.114
7	Dissatisfaction with loans (Q18)	0.225	0.755
8	Dissatisfaction with foreign exchanges (Q23)	0.262	0.257
9	Quality of service (Q24.5)	0.248	0.219
10	Satisfaction (Q24.6)	0.264	0.251
11	Service delivery (Q24.7)	0.261	0.254
12	Friendliness (Q24.8)	0.264	0.254
13	Staff knowledge (Q24.9)	0.273	0.236
14	Staff interest (Q24.10)	0.268	0.277
15	Bank costs (Q24.13)	0.381	0.250
16	Dissatisfied (Q25.3)	0.211	0.187

Hereby it was possible to determine whether there was a link between the aspects of income and age and respondent satisfaction with service delivery. As may be seen in Table 8.62, for all aspects analysed for both income and age groups there is a degree of positive association between income and client responses, and age and client responses. We may determine that an increase in income or age may ultimately influence the service delivered and the quality thereof as experienced by the sample respondents.

(i.) Income group analysis

Across all variables, income test results depicted positive values, indicating a relationship between income and the selected variable. Variable numbers (5, 6 and 15) recorded the highest test result figures. This indicates a stronger relationship between income and that variable. We may conclude that as income increases, so does the fees / costs, interest charged and bank cost satisfaction. Variable numbers (3, 4, 7 – 14) also recorded high positive results indicating a strong relationship between income and these variables. Variable numbers (1 and 2), while also positive, indicate a slightly less strong relationship.

(ii.) Age analysis

All variables indicated a positive relationship between age and the variables, meaning that changes in age affect services delivered and the quality thereof. Variable number 7 depicted the strongest relationship across all variables, indicating that dissatisfaction with loans has a direct relationship with age. Variable numbers (2-6, 8-16), also indicated positive relationships. Variable 1 indicated the weakest positive relationship. Consequently satisfaction may change due to age, but not to the same strong extent as with the other variables.

8.4.4 T-Test analysis

T-Test was utilised to conduct analysis between two separate databases – client and commercial banks. As stated by Gates and McDaniel (section 7.9.2 page 211) a T-Test is most suited for statistical analysis across two databases. This method was utilised to determine whether the perception of commercial banks actually matched client experiences. To ensure a correlation between variables being measured it was necessary that only variables that were recorded in both the client and the commercial bank questionnaire were analysed.

Table 8.63: Hypothesis testing by means of T-test: clients and commercial banks

Test	Variable	N (clients)	N (banks)	Degrees of Freedom	T-value	T-test cal	A / R
1	Understand banking (Q24.1 & 6.1n)	509	4	2	2.92	2.42	A
2	Develop relationships (Q24.2 & 6.1o)	509	4	2	2.92	2.21	A
3	Services offered (Q24.3 & 6.1a)	509	4	2	2.92	5.05	R
4	Products offered (Q24.4 & 6.1b)	509	4	2	2.92	71.28	R
5	Quality of service (Q24.5 & 6.1c)	509	4	2	2.92	5.01	R
6	Satisfaction (Q24.6 & 6.1d)	509	4	2	2.92	4.93	R
7	Service delivery (Q24.7 & 6.1e)	509	4	2	2.92	5.22	R
8	Friendliness (Q24.8 & 6.1f)	509	4	2	2.92	7.20	R
9	Staff knowledge (Q24.9 & 6.1g)	509	4	2	2.92	4.95	R
10	Staff interest (Q24.10 & 6.1h)	509	4	2	2.92	6.29	R
11	Ease of use (Q24.11 & 6.1i)	509	4	2	2.92	1.54	A
12	Facilities (Q24.12 & 6.1 j)	509	4	2	2.92	1.32	A
13	Bank costs (Q24.13 & 6.1k)	509	4	2	2.92	7.38	R
14	Management of investment (Q24.14 & 6.1l)	509	4	2	2.92	4.99	R
15	Keep clients informed (Q24.15 & 6.1m)	509	4	2	2.92	7.54	R

In relation to the T-Test statistic, a 95% confidence interval was also utilised. Calculations exceeding the T-Value were accepted as indicating a statistical difference between the databases. Values lower than the critical T-Value was

interpreted as indicating no statistical difference between the databases. Degree of freedom calculations derived that two degrees of freedom would be suitable for the purpose of this statistical analysis (section 7.9.2 page 211). The critical T-Value was selected from a statistical T-distribution table, which was selected by identifying the value at 0.05 confidence level with two degrees of freedom.

In Table 8.63 the abbreviation A / R is utilised. A / R indicates the conclusion as to whether the null hypothesis is accepted or rejected. In this study the Null Hypothesis is rejected “R” when the calculated value exceeds the critical value. The Null Hypothesis indicates that there is no difference between client perceptions of service delivery and commercial banks perception of the service they deliver. The Alternative Hypothesis (Ha) indicates that there is a difference between client perceptions and commercial bank receptions. The null hypothesis is accepted ‘A’ when the calculated test statistic is lower than the critical T-test value. It has been statistically calculated that the client responses to service delivery differ from those of the commercial bank’s responses. This indicates that clients perceive the quality of service differently from commercial banks. Consequently, the null hypothesis (no difference) is proven to be false and is rejected. The alternate hypothesis of clients perceiving service delivery and quality as lower than what commercial banks believe is delivered is accepted.

The calculated values in variable numbers (3 to 10 and 13 to 15) exceed the critical T-value of 2.92. It is therefore, possible to state, with a 95% confidence level, that sample respondent’s responses to similar questions differ from those of the commercial banks responses to the same questions. Consequently, commercial banks may believe that their service delivery is of a high quality while in reality clients’ experience it as being inferior. Therefore, sample respondent perceptions of service delivered and their satisfaction therewith differ from what commercial banks believe their client satisfaction levels to be. A perception, of the commercial banks being out of touch with these sample respondent's preferences may develop, which is not favourable.

In variable numbers (1, 2, 11 and 12) the calculated value falls below that of the critical T-value. It may be concluded that in relation to understanding of banking, manner in which relationships are developed, ease of use and facilities, there is no statistical difference between respondent's responses and commercial bank's responses. In other words, there is no statistical difference between sample respondents' responses of their satisfaction with these aspects and commercial bank perception of their clients' satisfaction with these aspects. As noted in section 8.3.5.1 (page 327), commercial banks indicated that they were aware that clients were not satisfied with the manner of developing the relationship and understanding of banking, therefore the findings of this analysis correlate with these. Table 8.6 (page 28) has reference in this regard.

8.5 CONCLUSION

The empirical study was comprised of a representative sample of 509 responses. Various methods were utilised to ensure that the sample was indeed representative and that all findings could be projected to the population as a whole. In relation to the second response group, all commercial banks completed their questionnaires. Initial results were recorded in tables and graphs that correlated with the various questionnaires. Further analysis in the form of cross tabulations and statistical analysis (Chi-Square, T-Test and Pearson's Correlation Co-efficient) were conducted to derive results.

It has been concluded that sample respondents are generally satisfied with the services and service delivery of commercial banks in South Africa. However, there are certain areas in which sample respondents were less satisfied with the service or the delivery thereof. The main areas of dissatisfaction are bank costs, discussion of fees / costs, interest charged, development of relationships, extent to which commercial banks keep clients informed of changes and staff interest in

client's needs. The following chapter will provide a detailed summation of the results, as well as possible recommendations to assist commercial banks.

As such it was possible to determine that the findings of this research disproved the problem statement that clients possess negative perceptions of the commercial banking industry in South Africa. On an overall basis it was determined that sample respondents' perceptions towards the industry were favourable, due to the satisfaction they experienced in relation to service delivery across all categories. In some instances, dissatisfaction was noted with minor aspects, which indicated that while the service delivery was satisfactory, it did not meet all clients' expectations. Findings and theories identified within the literature study which were validated or disproved through the findings of the research were highlighted throughout the text. It was also identified that communication and information is an essential component in the determination of perceptions and evaluation of service quality.

Correlations between the demographic composition of the database sample and the total population as a whole, was verified through the SAS Index and Stats SA, which would suggest that if the reader elected to apply the findings to the population as a whole, they would not be completely remiss in doing so.

CHAPTER 9

CONCLUSIONS AND RECOMMENDATIONS

9.1 INTRODUCTION

Analysis of the client and commercial bank results, in the empirical study yielded multiple numerical results. To facilitate understanding, these results are now summarised into one coherent conclusion. On the basis of these conclusions, it was possible to develop certain recommendations. The purpose of this study was to determine the quality of service as delivered by commercial banks to clients within South Africa. Closely related hereto was the suspected image of the commercial banking industry and clients perceptions thereof. In order to determine these areas, it was necessary to evaluate client's perceptions of the service delivery by commercial banks. Literature research was conducted into six main areas, namely: services marketing, relationship marketing, consumer behaviour, commercial banking industry, international banking and research methodology.

9.1.1 Service marketing

As discussed in Chapter 2, service marketing may be defined as one party performing an act to another in order to satisfy the latter's needs and wants. To accommodate the unique characteristics of service marketing, the marketing mix was expanded to include three additional elements namely, people, physical evidence and process. Services were classified through certain techniques, such as end-user, degree of tangibility, time/place service delivery and the degree of customisation. Hereby the broad spectrum of services was narrowed and the traditional marketing mix was expanded. Furthermore, it was identified that service classification is a complex process requiring various considerations in order to narrow the broad spectrum. As service marketing requires direct

interaction with the service provider, the various forms of interaction and their possible implications were analysed. Closely linked to these were client expectations and perceptions as a determinant of service quality. Various methods, such as the Gaps model (page 39) and SERVQUAL (page 47) were cited as utilised in determining both client expectations and perceptions. These methods were discussed in order to determine the method in which they were utilised and their viability.

9.1.2 Relationship marketing

Relationship marketing was defined as the marketing movement towards the satisfying of a chosen group of clients' needs and wants. The three differentiating principles of relationship marketing – maximising of lifetime, development of relationship with stakeholders and marketing being a cross-functional responsibility - were identified and discussed in order to indicate the core principles of relationship marketing (page 65). To further expand upon this differentiation, the differences between relationship marketing and traditional marketing were discussed. It was determined that the main difference occurred in the area of focus, commitment and contact with clients. There is a clear move towards implementing continued contact with clients, rather than once-off transactions.

Literature research within Chapter 3 identified that relationship marketing was a multiple phase process, during which clients move towards the development of a substantial relationship between the client and the service provider (page 70). Research also highlighted that a balance needs to be achieved between services and products to satisfy client requirements. To achieve this relationship, development would play a critical role, as would client retention. Various service providers implement alternate methods of determining client retention rates. Consequently, the three most accepted methods by authors, were listed and discussed.

Client retention strategies, such as positive / negative strategy and creation of client commitment, were identified. These different strategies and their benefits were listed and analysed to determine the most appropriate method to be selected for the South African commercial banking industry. The development of the relationship marketing strategy was indicated as comprising certain steps, which need to be followed (page 83). The steps were listed and analysed to determine their effectiveness in accomplishing the objectives. Relationship marketing management was also noted by authors as comprising an important component of the relationship development strategy. The main concern was the protection of client's privacy. This issue became a key point as most service providers elect to create a database in which to store client information for easy reference. This resulted in client information being privy to anyone with access to the database. It was indicated that some opponents of relationship marketing were of the opinion that it was merely the re-emphasis of neglected areas of marketing, rather than innovative new theory. Furthermore, there are certain industries to which relationship marketing would not be suited. However, no reference to these industries is mentioned by authors (page 87).

9.1.3 Consumer behaviour

In order to develop successful relationship marketing strategies, it is necessary to understand client behaviour and its determinants. Consumer behaviour is the study of individuals to determine how they select, use and dispose of products and services. For client behaviour to be effective three clear aspects need to be present (page 92 and 93). The dynamic nature of client behaviour, interaction between staff and clients and exchange as facilitated by client behaviour are the three main aspects of consumer behaviour. Interlinked within consumer behaviour is the study of aspects such as individuality of clients, client involvement in purchasing, learning curves, loyalty and social / cultural dimensions.

Each of the aforementioned aspects will influence the clients' purchase behaviour. As such these aspects and their probable influence on consumer behaviour were analysed as indicated on pages 93 to 111. With the exception of social / cultural dimensions, these aspects are unique to individuals. Consequently, it will not be possible to predict an individual's purchase behaviour but rather it is possible to predict the behaviour of a group of clients with similar characteristics. Social and cultural dimensions require more extraneous influences and thus depict how factors such as class, beliefs and morals may affect purchasing behaviour.

Within Chapter 4 communication and decision-making were identified as a key means of persuading clients to act in a desired way (page 112). It is necessary for marketers to be aware of how clients make their decisions in order to determine the best methods to influence their behaviour. Segmentation of clients – as identified on page 116 - was identified as an efficient method of targeting specific groups of clients with similar needs and wants. Much emphasis was placed upon client satisfaction however; the causes and effects of client dissatisfaction also required attention.

9.1.4 The commercial banking industry

Commercial banks play a pivotal role in the economy and are the source of credit for millions of individuals. Commercial banks are primarily under the regulation of the Usury and National Credit Acts. To better understand commercial banks, it was deemed necessary to analyse the commercial bank as a business. A commercial bank was defined as a financial intermediary accepting deposits and granting loans. Their role in the economy as well as trends affecting the banks were briefly identified and discussed. Trends such as technology advances, geographic expansion and globalisation were identified as the main trends necessitating action by commercial banks. Recently developed services were also noted. In Chapter 5 (page 138) it was noted that the commercial banking

services were divided into four groups, as well as the methods used to ensure quality service delivery of these services.

(i.) Personal Banking

These services are frequently utilised by clients, and form the basis on which the relationship with the client may be based. Deposits and the various forms available thereof were defined as the main services offered. These services were discussed in detail together with self-service banking. Self-service banking consists of those banking activities that do not require interaction with banks such as telephone banking and cell-phone banking. Credit and debit cards are also classified with personal banking services. Debit orders, which involves no interaction with the bank are also classified as personal banking services even though there is no interaction involved.

(ii.) Investment Banking

Investment banking requires a longer form of commitment and interaction between the client and the commercial bank. Investment banking may be divided into two broad groups namely, trust administration and investment banking. Trust administration concerns the management of property owned by a commercial bank's clients such as land and securities. Investment banking, as the second group also encompasses all other forms of investment, such as unit trusts and offshore investments. It is highlighted that clients are able to invest together through group schemes. Hereby clients have the ability to access assets and schemes which they previously did not have access to.

(iii.) Loans

Loans form one of the most definitive forms of services delivered by commercial banks that has a substantial effect on the economy. Several types of loans

(personal, residential, student, vehicle, and building) were identified and discussed in order to differentiate between them. The determination of the granting of loans was discussed. It was noted that the credit-worthiness of the clients plays a pivotal role in the determination of whether the loan is granted. Purpose, intent to repay and necessary authority are also considered as pre-requisites for the granting of a loan.

(iv) Foreign Exchange

Foreign exchange is slightly less long-term in nature and assists clients when they travel abroad. These services include travellers cheques, dispensing of foreign currency notes, visa letters and electronic payments into foreign bank accounts.

(v) Service development tools

The commercial banking industry has numerous service development tools to ensure that clients receive high quality service delivery. Within this industry these tools take the form of regulations and codes. The South African Banking Council regulates South African commercial banks. This Council has formulated the Code of Banking Practice to which all four commercial banks (Nedbank, ABSA, FNB and Standard Bank) adhere. It was identified that the main reasons for the creation of the Code of Banking Practice were: the need for minimum standards, creation of client-focused culture and the development of healthy relationships between the client and the commercial bank. The main principles of the Code of Conduct were, to act reasonably and fairly in all dealings with clients. This includes that information provided should be clear and in writing and easily understood by clients, who are treated fairly with uncompromising integrity.

The industry is also regulated via three predominant Acts, namely, The Usury Act, National Credit Act (NCA) and the Financial Intelligence Centre Act (FICA).

The Usury Act and the NCA are the main regulating acts. These acts clearly specify the conditions for granting loans, maintenance and repayment of credit card purchases, finance charges and the regulation of credit agreements such as overdrafts, mortgages, credit cards and instalment agreements. The NCA grants clients the right to access and challenge their credit records. Its main aim is to promote responsible credit granting and use. These regulations are employed to ensure the safety of the public's savings. FICA's sole purpose is to counter money laundering. Commercial banks are required to comply with certain requirements, which entails verification of clients' identity (page 157).

9.1.5 International banking

In recent years commercial banks have begun expanding their markets internationally. Initially the emphasis was on business-orientated banking, however there has been a growth in retail banking. Accordingly the various banking systems and services offered in alternate countries were examined in Chapter 6. An analysis of the British commercial banking system was essential as the South African commercial banking industry has based its development upon the British system. Eleven large banks initially dominated the British industry, however, numerous amalgamations and mergers resulted in the industry being dominated by five large commercial banks. The South African industry closely mirrors this situation as illustrated on page 169.

The various British regulations governing the industry were identified and discussed to highlight any systems that would be potentially beneficial for the South African industry. It was noted that numerous official bodies operate within the British banking industry, which take proactive steps to ensure that quality service is delivered. The U.S.A commercial banking industry is dominated by a small number of large commercial banks, forming an independent net branch system. Each U.S.A. state has separate legislation governing each state. Relaxation of State and Federal regulations facilitated the merger of commercial

banks across state lines. Each commercial bank determines the services they wish to deliver. As such there are no clear prescriptions or guides for quality service delivery. Furthermore, competition between commercial banks often occurs on the basis of price.

Analysis was also conducted on the various banking systems as employed in other foreign countries. The most differences noted – as highlighted on pages 171 to 176 - related to the form of ownership (state or private) and concentration of services. Developed countries primarily have combination systems of ownership with both state and privately owned banks operating in the markets. Research of banking in developing countries, such as India, indicated that these industries are primarily dominated by State owned banks, with foreign owned and commercial banks operating with these State owned banks in the industry. It was noted that relatively uniform services were delivered in relation to the commercial banking industry worldwide – irrespective of the country of origin. Therefore it was possible to conclude that commercial banks would compete internationally on the basis of price (interest) and superior service delivery and quality.

9.2 CONCLUSIONS DERIVED FROM THE EMPIRICAL STUDY

The results obtained from the empirical study will be discussed in separate sections relating to client responses, commercial bank responses and the results obtained from the cross tabulations.

9.2.1 Clients

Conclusions derived from client responses were indicated as follows:

i). General conclusions

As identified in Figure 8.1 (page 217) the majority of the South African population utilise the services of a commercial bank. This finding verifies the research conducted by the SAS Index (page 15) which indicated that the commercial banking industry contributes significantly towards the South African economy. Accordingly, the service delivery and the quality thereof are important considerations. Clients were satisfied to varying degrees with the service delivery of the commercial banks. However, a percentage of satisfaction, which is lower than 100% indicates room for improvement. The main problem areas identified across all service areas, were in relation to the explanation / discussion of services. It is identified within both the NCA and the Code of Banking Practice, to which all commercial banks subscribe, that services utilised by clients need to be explained and discussed with them to ensure clients are sufficiently able to make decisions. Consequently, clients indicated that the services were not explained to them, nor were clients who received explanations satisfied therewith (Table 8.2 page 222). This indicates non-compliance with the Act, as well as that the Banking Council does not enforce the Code of Banking Practice. It also indicates that a lack of communication between commercial banks and clients, which ultimately influence relationship development.

ii). Personal banking

The main services utilised by clients are those comprising personal banking services (Figure 8.3 page 219). These services therefore form the basis of commercial banks profitability and are the services with which clients are the most familiar. As such, satisfaction levels with these services are essential, as they determine whether clients will have the confidence in the commercial bank to use other more complex services, should the need arise. Clients utilised personal banking services to varying degrees dependant upon their needs and requirements (Table 8.1 page 220). However, internet-, telephone- and cell-

phone banking were services not extensively utilised by clients. Client satisfaction levels were also lower in relation to telephone banking, cell-phone banking and savings options (page 141).

iii). Investment banking

Investment banking is utilised to a lesser degree than the other services offered by commercial banks (Figure 8.6 page 226). This is most likely due to clients lacking excess funds with which to invest, than a lack of adequate service delivery by commercial banks. These services also comprise a more complex form of service delivery and clients appeared uncertain as to what this form of banking entails and required additional information on the more complex forms. This viewpoint is validated through the use of more standard user-friendly options such as investment deposits and insurance policies, than riskier alternatives such as shares and mutual funds (Table 8.3 page 227). As is similar to personal banking services, clients who are able to invest selected the investment options most suited to their current needs. In relation to satisfaction levels, mutual funds depicted the ideal situation with all the respondents who utilised it as being completely satisfied with the service delivery.

iv). Loans

Loan services are utilised by a greater percentage of clients than investment banking (Figure 8.8 page 230). This service comprises a longer-term relationship between the commercial bank and clients. Residential loans (Table 8.3 page 231) represent the loan service most frequently utilised by clients. This particular service spans on average, over a period of between 10 to 30 years, as such necessitating the development of a relationship between the client and the commercial bank. Clients are the least satisfied with student loans, indicating a lower level of service delivery. In relation to loans the discussion of core aspects is particularly important as these discussions form the basis of the loan

agreement, on which variations may occur during the timespan. The methods for determining the granting of a loan, fees and costs are the least discussed areas. Clients indicated that information and communication were the areas (Figure 8.10 page 235) with which they are the most dissatisfied. This indicates a lack of communication on the part of the commercial bank, which detrimentally influences client satisfaction and relationship development.

v). Foreign exchange services

These are the least utilised commercial bank services (Figure 8.11 page 236). While a small percentage of clients use these services, those who do, are satisfied with the service they received. This indicates that the lack of use is not due to low quality service delivery, but rather due to other alternatives being available to clients.

vi). General banking services

General banking services comprise services, which are not unique to one group of services, but are utilised in all service areas. The staff component was ranked significantly less satisfactory by clients (Table 8.6 page 239 and Figure 8.15 page 242). The lack of personal banking / client satisfaction and the manner of developing relationships were indicated as being the least satisfactory services by clients. As indicated in section 2.2.2.7 (page 28), staff plays a quintessential role in both service delivery and relationship development. Another area of dissatisfaction for clients were the queues within the banking halls.

vii). Automation of services

Clients prefer to interact with staff (Figure 8.14 page 241), than to have complete automation of services. This further indicates the degree of importance of the

staff component. However, a small percentage of clients do prefer to have some services automated for added convenience.

9.2.2 Commercial banks

Commercial banks indicated that they ensure that all services are available and delivered on a continuous basis (Figure 8.23 page 249). Furthermore, commercial banks also indicated that research regarding client satisfaction had been conducted. This research contributed towards the commercial bank's perception that all clients were completely satisfied (page 250 and 252) with all aspects and services delivered. This was in contradiction to client responses (Table 8.6 page 239). This indicates that the research system is not adequate or detailed enough to accurately determine clients' needs, preferences and satisfaction levels. In isolated instances an individual commercial bank indicated that they were aware that clients may not be entirely satisfied with aspects such as relationship development, fees / costs and the client's understanding of their banking. It also appears that commercial banks appear to react to any changes in the industry or client's preferences, rather than conducting research to be proactive within the industry. Methods of determining satisfaction are also basic and reactive rather than proactive (Figure 8.26 page 256).

9.2.3 Data analysis through cross tabulations

The following is a brief conclusion of important findings identified in the cross tabulation analysis.

9.2.3.1 *Commercial bank analysis*

Service delivery and client satisfaction with the service delivery according to the separate commercial banks were analysed. ABSA yielded the highest market

share among clients (Figure 8.16 page 243), followed by Standard Bank, FNB and Nedbank.

In relation to personal banking services, clients indicated that the services of ABSA are the most utilised (Table 8.13 page 259), with the services offered by FNB also being extensively used. Standard bank was the commercial bank with the least percentage of clients using personal banking services. Clients were the most satisfied by the service delivery they received from FNB and Nedbank, while ABSA clients were the least satisfied with the service they received, thus indicating a lower quality of service delivery by this commercial bank. In relation to investment banking, Standard Bank possessed the largest market share (Table 8.15 page 264). Clients of Standard Bank and Nedbank were the most satisfied with the service delivery that they received thus indicating superior service delivery by these banks.

While Standard Bank cited the most clients utilising their loan services, ABSA and FNB appeared to deliver superior service delivery, as their clients were the most satisfied with the service delivery (Table 8.19 page 269). These banks also explained core service aspects to their clients to a greater extent than the other banks. However, Nedbank delivers superior service, as the most clients were satisfied with the explanations they received. Clients rated FNB and Nedbank as the most satisfactory in relation to the general banking service. It is apparent that commercial banks differentiate their service delivery and specialise in providing superior service delivery with respect to specific service groups, based on the services most utilised by clients or those in which the commercial bank possess a competitive advantage.

In relation to FNB, their clients are primarily in the low-income group, and generally only have access to personal banking services. As such FNB delivers superior service in this regard. Standard Bank appears to specialise in investment banking with superior service delivery. Nedbank, while not as

extensively utilised as the other commercial banks, consistently (with the exception of investment banking) deliver superior service quality and client satisfaction. Thus Nedbank appears to specialise in quality service delivery. ABSA clients utilise all services – to what appears to be an equal extent. However, there are instances when ABSA clients are not satisfied with the quality of service delivery they received. It therefore, may be concluded that all services are delivered to the minimum required standard by ABSA. Service delivery could thus be improved.

9.2.3.2 *Income group analysis*

Service delivery and satisfaction levels in relation to the various income groups were analysed. In relation to personal banking, the incidence of services used, increased as income increased (Table 8.29 page 280). A similar situation occurred in relation to the discussion of services. In most instances as salary increases so did the number of respondents indicating that the various services were delivered. In relation to satisfaction a reverse situation occurred. As income levels increased, satisfaction levels decreased. Respondents in higher income groups have higher expectations and thus did not perceive the service delivered as satisfying their expectations (Table 8.30 page 282).

With reference to investment services, as income levels increase so did service utilisation. However, clients in the lower and high-income groups were equally satisfied with the service delivery of these services (Table 8.32 page 286). A similar situation occurred with loan services. As income increased, so did the usage of the service. However, clients in the medium income group consistently delivered the lowest levels of satisfaction with the service delivery of these services. Clients in the high-income group yielded the lowest percentage of satisfied clients in relation to foreign exchange services. Clients in the lower income group yielded the highest satisfaction, with the lowest usage percentages.

General banking services yielded a similar situation as the previous services. Clients in the low-income group were the most satisfied on an overall basis than those in the medium and high-income groups (Table 8.37 page 293). Clients in the medium and high-income groups were the least satisfied with staff related aspects and bank costs. It was concluded that clients in the low-income group were more easily satisfied with the service delivery than clients in the high-income group – therefore it was possible for commercial banks to satisfy these needs at their current service levels. However, to satisfy the medium or high-income clients, commercial banks would have to improve their service delivery.

9.2.3.3 *Age group analysis*

As age increases, the number of services utilised decreased (Table 8.40 page 297). In relation to personal banking services the clients in the over 60 category were the most satisfied with the service delivery of personal banking services. Clients in the over 60 age category indicated the lowest percentage of clients who stated that personal banking was discussed with them, while clients in the 21 – 30 age category yielded the highest percentage of clients who stated that personal banking was discussed with them. However, both these two categories yielded the lowest percentages of clients satisfied with the discussions.

With reference to investment services, in this specific sample, as client's age group increased so did the use of the service. Clients in the more advanced age categories are more satisfied with the service delivery of investment services. Similarly, clients in the (51 – 60) and over 60 age categories were the most satisfied with the service delivery and quality of loans, while clients in the (21 – 30) age category were significantly less satisfied. Loan discussions also varied in relation to client's age groups. Older clients receive explanations / discussions to a lesser degree than younger clients. Clients in the (41 – 60) age groups, who received explanations, were the most satisfied with the service quality (Table 8.4.3 page 303). Clients most satisfied with loan discussions were situated in the

(41 – 50) and (51 – 60) age category. In relation to general banking experience, clients in the over 60 age category were the most satisfied, while younger clients were the least satisfied with the service they received in relation to general banking services.

9.2.3.4 Gender analysis

Across all loan categories, males indicated higher percentages of use relative to females. However, in relation to personal banking services, females were slightly more satisfied with service delivery than men. Men appeared more satisfied with investment and loan services than females. Foreign exchange services as delivered by commercial banks appeared the most satisfactory to females than to men. Female clients were also more satisfied with the general banking services than men. Both males and female clients were dissatisfied with staff aspects and bank costs.

9.2.3.5 Commercial banks

Commercial banks indicated that all services across all categories were available and delivered at all times to clients. However, they also noted that according to their perceptions, all clients were very satisfied with the service they delivered. Reference was made to the fact that this does not correspond with client responses (section 8.2.2.7 page 253).

9.2.3.6 Statistical analysis

It was calculated that, in relation to this specific sample, income levels influence satisfaction levels across multiple areas (page 331). Differentiation of service according to age by commercial banks occurred in this sample. Client satisfaction levels, with service delivery, varied among commercial banks. This indicated that different commercial banks delivered different levels of service,

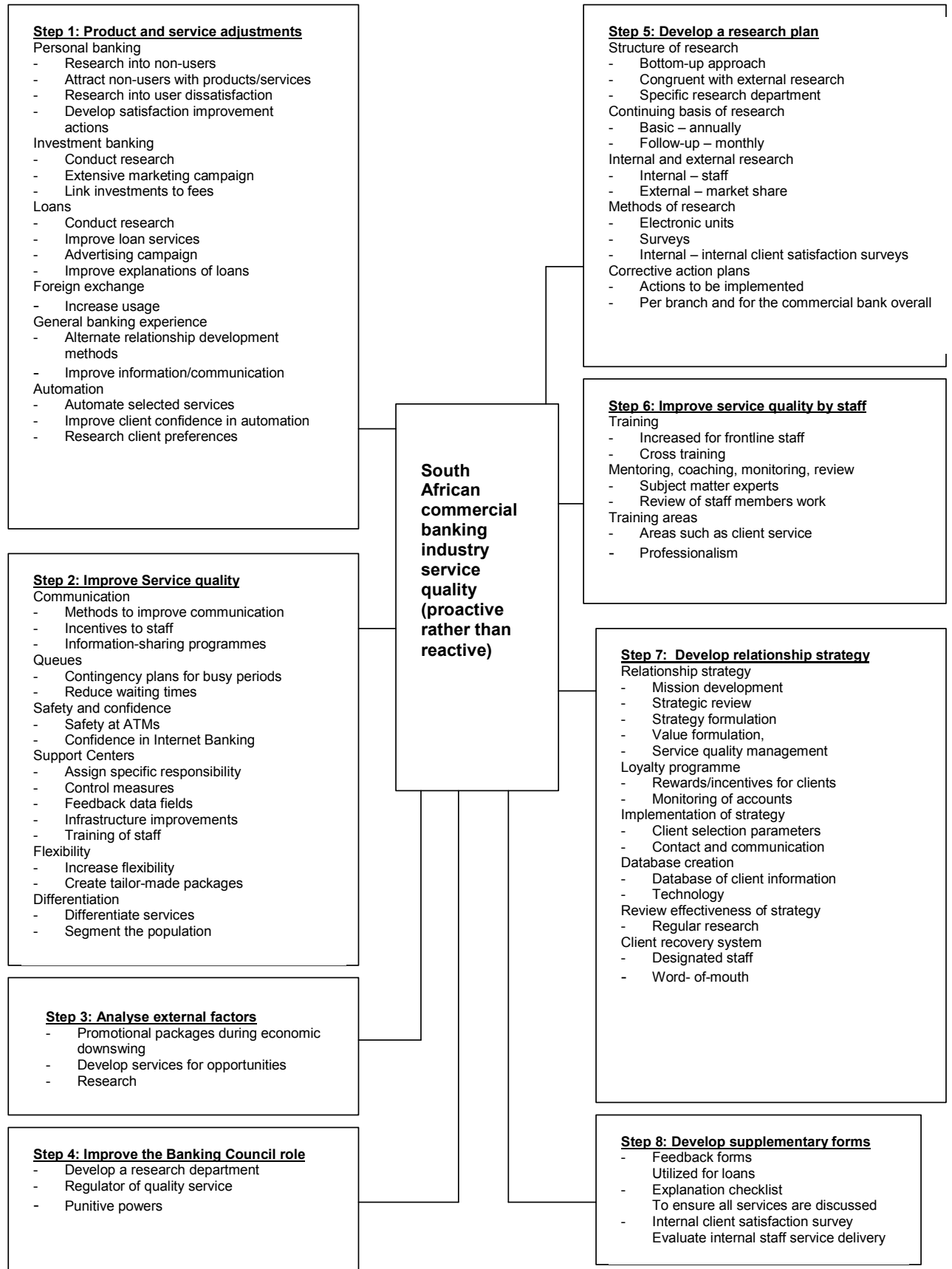
resulting in differing client satisfaction levels. Statistically, significant differences between client and commercial bank responses in relation to general banking satisfaction occurred in this sample. This indicated that commercial banks harboured incorrect perceptions in relation to the satisfaction levels of these clients.

9.3 RECOMMENDATIONS

The research was based on the premise that clients were dissatisfied with the service delivery they received from commercial banks. Research has indicated that on an overall basis, clients are generally satisfied with the service delivery they received. However, the ideal of all businesses is to ensure that all clients are completely satisfied. In the instance of the commercial banking industry, not all clients are completely satisfied. These satisfaction levels are not optimal and clearly indicate room for improvement. It is the purpose of commercial banks to have completely satisfied clients with which to establish long-term relationships, ultimately improving client loyalty and profitability for commercial banks.

The researcher is of the opinion that to improve client satisfaction levels, emphasis needs to be placed upon the improvement of service quality. Service, however is not an exclusive concept, there are many interlinked aspects which affect service quality, such as products, staff and communication. Accordingly, a service improvement model was developed. Through the service improvement model, it is possible to note that service quality and delivery are interactive and dynamic, therefore as it is not possible follow strict linear steps, it is advocated that commercial banks follow a plan where all aspects are considered and referred back to on an ongoing basis. The following service improvement model is a model plan for banks to improve the quality of service delivery and will now be discussed in more detail as depicted in Figure 9.1.

Figure 9.1: Proposed service improvement model



Therefore, while the following steps may be indicated, it is essential that commercial banks refer back to prior steps, to ensure that any plans or actions implemented are still effective and efficient. This reasoning forms the main basis of the model – proactive action rather than reactive - may help to ensure client satisfaction, improve service quality and service delivery, thereby ultimately improve client's perceptions of the commercial banking industry as a whole. The following interactive steps may initially be slightly costly in terms of money and time – the effects therefrom may far exceed the initial costs. Furthermore, these steps and suggestions are ongoing and significantly substantial results may be determined only in the long run as opposed to instant results.

9.3.1 Products and service adjustments

Recommendations in relation to products and services will be provided according to the categorisation of the services. **Step 1** of the model would therefore, be the improvement and development of products and services that best satisfy clients needs and wants.

9.3.1.1 Personal banking services

As determined in the literature study (Jekwa, 2006: 64), personal banking services formed the basis of most clients' interaction with commercial banks. Therefore, superior services/products, quality and delivery are essential in relation to these services. As these services are such frequently used services, they indicate a viable source of income for commercial banks.

9.3.1.1.1 Research into non-users

Therefore, research should be dedicated to determining why clients who did not utilise these services preferred not to do so. Commercial banks, through research, should determine whether a viable alternative is available for these

non-user clients, which they are electing to use. A separate research protocol to analyse competitors and their products and services should be implemented as well

9.3.1.1.2 Attract non-users

It may also be possible for commercial banks to develop products / services that may entice non-personal bank users to convert – thus increasing profitability for the commercial banks. Such services could for example be accounts for low-income earners with considerably lower bank fees or costs. Another example can be the creation of account managers to assist low-income group clients with financial planning. A third example is marketing campaigns to explain these to clients as well as word-of-mouth among locals would be beneficial.

9.3.1.1.3 Research into user dissatisfaction

Closely linked to this research it is essential that commercial banks individually research the reasons for dissatisfaction amongst clients who did utilise personal banking services but were not satisfied. In this manner commercial banks will be able to determine specific areas of improvement (such as staff, call centers or costs), in relation to this category of services. Hereby it is possible to reduce the percentage of dissatisfied clients as well as prevent any future dissatisfaction amongst clients, as these areas may be addressed through training or restructuring.

9.3.1.1.4 Develop satisfaction improvement actions

In relation to specific services requiring improvement, it was noted that cell-phone banking, telephone banking and Internet banking were services not extensively utilised, and when utilised were not satisfactory. These services represent cost efficient methods of delivering services to clients for commercial

banks. It is therefore, beneficial for commercial banks to develop these services further. Emphasis could be placed upon increasing ease of use, availability and accuracy of these services. Once the appropriate infrastructures, such as call centres, which will ensure superior service quality, are implemented, extensive marketing campaigns should be implemented to communicate this to clients. Emphasis on benefits to clients will be essential. For clients, these services provide the benefits of convenience and expediency. Therefore, they are a viable profitable market for commercial banks. Effort should be made to develop these services and the market of clients willing to utilise them.

These services may be developed through the creation of call-centres in each province to service the needs of clients in that particular province. Call-centre computer programmes should be amended to include a data field where the call centre operator may enter the client's query/complaint in detail as the client is conveying it. Each call should be assigned a unique reference number provided to the client irrespective of whether the query/complaint requires follow-up. A list of all client contact should be kept within the system – archive servers will accommodate the volume of data. Currently, the recording of calls and / or provision of a reference number are not utilised efficiently and does not result in efficient service.

A system needs to be implemented that if clients need to re-contact the call-centre, they only supply the reference number, which the operator enters and has immediate access to the client's history without further clarification required by the client. Data fields for follow-up actions should be included and updated, should the client's query/complaint be of such a nature that it necessitates follow-up, to provide clients with feedback. Follow-up calls investigating client satisfaction with call centres should be conducted with strategies implemented to improve any areas of dissatisfaction. Cell-phone banking will be improved by implementing this service to a greater degree by commercial banks such as Standard Bank and Nedbank. Clients could be offered trial programmes where

they use the service for a month and then (without cost) decide whether to continue using the service or not. In relation to Internet banking a specific programme to verify Internet banking users would be beneficial. Hereby once a client has logged onto the Internet banking programme an automatic Short Message Service (sms) would be sent to the account holder. The account holder would then be requested to verify via passwords that they are currently logged on to the Internet banking service, prior to being able to conclude any transactions. Verification via sms should be a free-of-charge service. The provision of a 'digitech' USB flash disk that is unique to the account holder has also been implemented by FNB and has proven successful.

Another area for commercial banks to target is the savings component of personal banking. Savings in the form of 32 days fixed deposits, for instance are often the main forms of investment savings available to low income groups. These savings also do not require the large initial capital outlay or monthly deposits (dependant on the option selected). They are, therefore, very attractive options. The main downfall would, be the low interest earned on these savings options. It is suggested that commercial banks consider improving the interest rates attached to these investments. Higher rates would result in increased savings - thus providing more funds for loans. Such action would prove beneficial for both the economy and commercial banks. Commercial banks should also, therefore, attempt to actively encourage clients to save – attractive savings options will assist in this regard.

Research should be conducted on a regular basis into the remaining personal banking services, on especially debit cards, deposits and debit orders. To maintain this level of satisfaction commercial banks should conduct research on a proactive basis to determine any changes in client preferences and make the necessary changes, thus ensuring continued satisfaction. It would also be suggested that the explanation of these services be improved. It is essential that clients possess all the necessary information on which to base their decision.

Both the Usury Act and the National Credit Act have ensured this. Failure to do so by commercial banks violates these rights of clients.

It is also necessary that the manner in which the explanation is delivered is appropriate to the client. Increased information will assist clients in making realistic assumptions, and thus satisfaction levels will improve. It would be suggested that a checklist be compiled to ensure that staff have discussed and explained all relevant areas (as in section 9.3.8). This will serve as a helpful tool. Debit orders and their function should also be improved to ensure that this service is performed efficiently and correctly, such as debit order fees may be slightly reduced. Should accounts be closed, debit orders should be amended to ensure that debit orders are transferred to a new account without inconvenience or additional costs. Commercial banks should communicate with clients on a regular (for example bi-annually) basis to determine whether the debit order is still functioning as required.

9.3.1.2 Investment banking

As was seen in the research, investment-banking services are not extensively utilised by clients. However, frequently specific departments are created in commercial banks for the sole purpose of investment services.

9.3.1.2.1 Conduct research

It would be advisable for commercial banks to conduct research into the various reasons why clients do not utilise investment-banking services. Hereby areas that commercial banks need to develop in order to increase usage of these services are identified. Specific attention should be given to the medium and high-income groups in this regard. Linked to this would be the research conducted into the clients who utilised these services but were dissatisfied. Research should be conducted as specified within section 9.3.5. However,

commercial banks should conduct research, in the form of surveys, at branch level during the interim to determine client's preferences. Low-income group clients for instance, indicated lower satisfaction levels with the investment banking services. Correction of these areas will improve satisfaction levels and may encourage clients to utilise these services, thus increasing the cost efficiency of the investment departments.

9.3.1.2.2 Extensive marketing campaign

Increased availability of information (through brochures and catalogues) on the various options and what they entail would also be recommended. Clients appeared unaware of what investment banking entails and what the various options are. Brochures, pamphlets and advertising campaigns would be useful in this regard. Investment consultants, who monitor accounts and then approach clients, whose accounts indicate the ability to invest, would also be beneficial in this regard.

9.3.1.2.3 Link investments to fees

Linking of investments to other banking services would be beneficial. For example, should clients have an investment account, commercial banks could reduce bank fees. For example for an investment of R1 000 there is a decrease in all bank costs of 0.1%. As the investment increases the bank fees decrease marginally.

9.3.1.3 *Loan services*

Loan services involve a long-term relationship development with the clients.

9.3.1.3.1 Conduct research

As such it is necessary that regular research and feedback systems be implemented to ensure the continued satisfaction of clients over the duration of the loan agreement. Hereby, commercial banks will be able to determine any possible or potential changes in satisfaction levels. Consequently, it is necessary for commercial banks to conduct research into any areas with which clients indicated dissatisfaction. Corrective actions will help ensure improved service delivery. Research via surveys, should be conducted on a regular basis by the individual branches.

9.3.1.3.2 Improve loan services

In relation to specific services, attention must be paid to the improvement of vehicle finance, personal loans and student loans, as clients appeared the least satisfied with these services. Commercial banks should offer lower interest rates, finance charges or residual costs than those of vehicle manufacturers. Extended repayment periods will also assist in this goal. Offering lower interest rates than micro-finance companies should encourage personal loans.

In relation to student loans interest rates, determination of granting of these loans should be improved. Discounts for distinctions, incentives for quicker repayments, minimal monthly payments during study period (with no interest) to reduce the end amount repayable would be beneficial. These services represent the short-term loan agreements and will often influence whether clients will utilise the residential loan services of that specific commercial bank. Greater interest is earned with the longer-term loans, therefore, it would be suggested that commercial banks attempt to improve the service delivery of these services. To attract more clients to utilise vehicle finance, it would be suggested that attractive competitive vehicle finance be offered, for example lower costs for lower income groups or preferred vehicle manufacturer agreements being established. Hereby

a commercial bank forms an agreement with one of the vehicle manufacturers, for example Ford, and offer decreased interest rates and / or extended prepayment periods for any clients obtaining a vehicle loan from the commercial bank to purchase a Ford. Hereby, commercial banks may be able to attract clients from competitors such as RCS finance, and finance arranged by vehicle dealerships.

9.3.1.3.3 Advertising campaigns

Advertising to emphasise the safety of the personal loans as opposes to those of micro-finance would be beneficial. The advertising campaigns must clearly specify the various loan packages offered to specific groups. Placing of advertisements in media should reach the specific group – therefore if low-income group respondents prefer radio to newspaper it is suggested that the campaigns specifying the specific products be placed in the radio medium rather than in newspapers. SMS and email advertisements containing information that would be beneficial to that specific client are also recommended.

9.3.1.3.4 Improve explanations of loans

Clients indicated that loan services were not explained to them and that they were not satisfied with the explanations they received. The main problem areas were notably fees/costs and interest charged. These represent the main obligations on the part of clients. It is imperative that clients receive this information, as it is these two areas that usually result in dissatisfaction. Furthermore, the NCA specifies that these aspects need to be clearly explained to all clients. Commercial bank staff must ensure that these areas are comprehensively explained to all clients and in a manner most suited to the individual client (refer to section 9.3.8 on page 396 for these forms). An explanation checklist would assist staff in this regard. Linked to this would be the creation of a feedback form during the loan approval stage. Clients indicated

dissatisfaction with the lack of communication during the approval process. As such it is recommended that commercial banks implement a system of providing some form of feedback during this period. Increased communication and explanation of the entire process including the loan process would be advantageous as well as improving satisfaction levels. The forms suggested will be beneficial in assisting commercial bank staff to ensure the discussion of all relevant areas with clients. Each bank consultant should complete the checklists during and after each consultation to ensure that they adhere to the requirements.

9.3.1.4 Foreign exchange service

Foreign exchange service utilisation should be increased among clients.

9.3.1.4.1 Increased usage

Promotional campaigns and special offers (for example with any currency purchases, a free ticket holder will be provided) may encourage clients to utilise the services of commercial banks rather than those of American Express for instance. In relation to American Express, clients may feel that they receive specialised knowledge, which is delivered in an efficient manner. Together with less than satisfactory general banking experiences, may result in a lack of confidence in commercial banks to deliver this service. Research should also be conducted (as specified in section 9.3.5) to ensure that client preference and satisfaction levels are identified and improved as necessary.

9.3.1.5 General banking experience

In relation to the general banking experience, it would be advisable for commercial banks to consider alternate methods of developing relationships with clients.

9.3.1.5.1 Alternate relationship development methods

Clients were of the perception that commercial banks utilise telephone canvassing inappropriately (during office hours) and as such causes client dissatisfaction and negative perceptions towards the commercial bank. It would be recommended that alternative methods to promote products be implemented by commercial banks. The use of sms, e-mail and direct mails sent to clients, (which advertise products and services that would be uniquely suited to the client) will be beneficial. Hereby, client accounts could be analysed to determine which specific products and services are the most suited for the particular client. Communication and information provision should be improved – these will assist in improving client understanding of their banking, which improve satisfaction levels.

9.3.1.5.2 Improve information / communication

Commercial banks should regularly inform clients of all changes that may affect clients. This may take the form of sms, direct mails or email. The forms suggested within section 9.3.8 (page 395), would also assist in this regard. Accordingly, clients feel that the commercial banks are more transparent and that they have more control of their banking finances. Research must be conducted into the reasons for clients indicating dissatisfaction. Research may take the form as specified within section 9.3.5 (page 380).

9.3.1.6 *Automation or interaction with staff*

Increased automation of services, especially through services such as cell-phone, telephone and Internet banking as specified in section 9.3.1.1 (page 359) would be beneficial.

9.3.1.6.1 Automate selected services

It is imperative that not all services be automated as clients indicated a preference for personal contact with staff. It would, therefore be suggested that routine services (such as transfers and payments) be automated. Hereby, daily routine banking may be conducted without the necessity of visiting branch offices. However, aspects such as investments and loans require personal interaction with staff.

9.3.1.6.2 Improve client confidence in automation

Efforts need to be made by commercial banks to convince clients of the safety of using these automated services. This is achievable by means of advertising. Word-of-mouth via status figures, as well as through community members, would be beneficial. There should also be decreased reports in the media of reported Internet banking fraud, in order to encourage non-users. This is achieved by the increased security of Internet banking.

9.3.1.6.3 Research client preferences

Automation should be introduced in increments with constant research being conducted amongst clients to identify any potential problem areas as well as satisfaction levels. Research should be conducted as specified in section 9.3.5; however, individual branches may conduct research among their clients to determine their preferences. Surveys via questionnaires would be beneficial in this regard.

9.3.2 Improvement of service quality

The **second step** of the model would entail the ensuring of quality service delivery. As aspects such as price, encounter and image, influence service

quality, recommendations relating to these were classified under service quality. Within this step all methods that can be utilised to improve the quality of the service and client's perceptions hereof are noted.

9.3.2.1 Communication

The previous step indicated the specific services or products that may be improved – however, it was apparent that an integral component was communication.

9.3.2.1.1 Methods to improve communication

Increased communication both within the commercial bank and between the commercial bank and clients would be exceedingly beneficial. Improved communication and communication channels within the bank would ensure that clients receive speedy replies on any questions / queries that they may have. Regular departmental meetings whereby each department highlights the specific offers, products / services to the other departments, to ensure that each department is aware of the services available in the other departments. This information could be placed in monthly internal newsletters.

9.3.2.1.2 Incentives to staff

Incentives may be given to internal staff members who refer business to other departments. Internal departmental meetings to discuss clients and action plans for these clients would also be beneficial; - all of these actions would take place both on an individual branch basis as well as for the commercial bank as a whole. Consequently, clients would perceive superior levels of service quality. Furthermore, improved communication with clients, as initiated by the commercial bank, will ensure that they have sufficient information to make decisions, be aware of any changes as well as being kept informed of the

progress of any applications they may have. Satisfaction levels and service quality perceptions would increase accordingly. Direct communication is therefore vitally important.

9.3.2.1.3 Information sharing programmes

Incentives amongst staff should be implemented to facilitate communication. Information sharing programmes (amongst staff and with clients) may also assist in accomplishing this step. It is imperative that commercial banks keep clients directly informed (via direct mail, e-mail, and sms) of any charges that may influence them – especially in relation to costs.

9.3.2.2 *Queues*

Commercial banks should attempt to implement contingency plans for end of the month busy periods.

9.3.2.2.1 Contingency plans for busy periods

Numerous clients indicated dissatisfaction with long queues and too few tellers at month end. While logistical issues and inability to meet excessive demand are extenuating factors, commercial banks should attempt to ensure that peak periods are planned for. It should be ensured that all tellers are open and staffed with efficient and competent staff to ensure that queues move quickly, thus reducing waiting times and client dissatisfaction. This will be achieved through the training of bank tellers to be more efficient, as well as through the employment of more tellers.

9.3.2.2.2 Reduce waiting times

Automated systems such as 'Queue Assist' should be implemented to reduce waiting times. Hereby queue lengths are monitored and measured together with client waiting times. This information is then stored in a system, which instantly analysed and relays the information to client service managers within the branch. These managers are then able to open more tellers or enquiry booths. This system works on a computerised keypad system, which requires clients to indicate their desired banking function. Keypads are then strategically placed at points in the queues to measure waiting times.

9.3.2.3 *Safety and confidence*

Safety in relation to banking is an essential pre-requisite to quality service perceptions.

9.3.2.3.1 Safety at Automated Teller Machines (ATM's)

Clients indicated that they have been being robbed at ATM's, with the security guards and bank staff being less than sympathetic when they complain, which also negatively impacts their perceptions of the bank. Client safety at high-risk areas (such as ATM's) will assist in improving client service perceptions. Ensuring client safety as an additional service, may help in making clients feel secure in their banking and as such their satisfaction levels improve as do their perceptions of the quality of service delivery. This is achieved through creating enclosed ATM cubicles, which lock on the inside while clients are conducting their transactions. The creation of panic buttons / codes which immediately deactivate the account of the last account used – similar to a 'stop card' would also be useful. Hereby should the ATM card be stolen, clients may enter the unique panic button sequence to their account to deactivate the card. Some commercial banks have already initiated stop cards – which deactivates the account when

inserted with the pin number of the original bankcard. Aspects such as lighting, greater security guard presence at ATM's will also improve security.

9.3.2.3.2 Confidence in Internet banking

Increased safety measures in relation to Internet banking may also assist in improving client confidence in the service and consequently increase their use hereof. These methods should be clearly communicated to the clients. Guarantees by experts as to their safety efficiency would be advisable. Commercial banks are aware of these aspects but seem to lack definitive plans, which are implemented to address these aspects. Efforts should be made to implement plans and actions, which are clearly visible to all. Communication of the results of these actions may also assist in reassuring clients and gaining their confidence. Lack of confidence in one area may cause decreased confidence in others. Research on a national level focusing on security – via survey – should be conducted to determine exactly what security measures would place clients more at ease.

9.3.2.4 *Support centres*

Support centres, or call centres as they are referred to, require improvement.

9.3.2.4.1 Assign specific responsibility

Both clients and commercial banks concur that call centres result in high levels of dissatisfaction. Issues that appear to be most dissatisfactory are, access, availability, response rates and ease of use. Commercial banks must improve their call centres. A main area that should be addressed is responsibility. Staff at call centres rarely take responsibility for interaction with staff. Frequently, clients contact the call centres, pose a query and are informed that they will be contacted with an answer. However, they are seldom re-contacted by the call

centre or commercial bank representative and so they again contact the call centre and pose the entire query to a new contact person and as such wasting time and becoming frustrated and dissatisfied. Assigning responsibility and accountability among support centre staff will result in increased service quality.

9.3.2.4.2 Control measures

Control measures such as 'follow-up' calls to clients to determine their satisfaction with the service that they received would be beneficial. These results should then be communicated to the staff. 'Mystery shopper' programmes, which comprises research staff posing as clients will then contact the call centre and pose a query. Staff would then be rated on the service they delivered.

9.3.2.4.3 Feedback data fields

An additional method to improve turnaround time of queries would be an improvement on the system mentioned in relation to the feedback data fields. Hereby the feedback data fields could be improved to include data alerts which signal that queries are still open and require feedback. A standard allotted time, such as 24 hours, should be assigned, once this period has passed without feedback, a report is sent to the call enter manager who alerts the call centre operator who logged the query. This should also form part of call centre staff performance appraisals. Systems should be employed to ensure call centre staff follow up with clients and provide quality service delivery. Currently, this lack of service delivery by call centres results in clients preferring not to use this service, unless compelled.

9.3.2.4.4 Infrastructure improvements

Infrastructure and facilities should be upgraded. Telephone lines should be improved to ensure that clients are able to hear operators. Operators should

utilise the 'mute' button on their telephone while the client is conveying their query, so as to reduce background noise. Furthermore, operators should be seated further away from each other with higher partitions between them in order to reduce the background noise when the call centre operator speaks to the client. Often clients find it difficult to hear and understand the staff member due to either background noise or poor telephone connection.

9.3.2.4.5 Training of staff

These call-centre staff should also be trained in all services and should thus be knowledgeable and efficient. The methods and programme for training is specified within section 9.3.6 (page 385). All training specified for traditional in-house commercial bank staff is to be applied to call-centre staff as well.

9.3.2.5 *Flexibility*

Commercial banks should attempt to increase their flexibility within the banking environment.

9.3.2.5.1 Increase flexibility

Currently, a set of standard services is available to clients. Often situations occur where certain services are offered, which are not applicable to the client's current situation. However they are compelled to accept the service and pay the fees therefore, as the service may be part of a package offered. It would be more beneficial if commercial banks were to offer service packages that encompass all services offered which best suit the client's requirements – tailor made packages.

9.3.2.5.2 Create tailor-made packages

This requires alterations to the standard packages, services and offers. However, it would result in higher percentages of satisfied clients. This would be achieved by having greater relationships with clients in order to determine their needs. Account managers would contribute towards greater flexibility. These staff members would monitor accounts to determine the best alternatives for clients. Each client should be considered a potential investment.

Linked to this aspect would be the concept of bank costs / fees and interest rates. Flexibility in this regard would also prove beneficial to commercial banks. Slight reductions / benefits may result in more services being utilised, as well as improving client's perceptions of service quality. Therefore, flexibility is a two-tier approach. Services need to be adjusted according to client requirements, while fees / costs and interest rates may be slightly amended. These will improve satisfaction levels immensely.

9.3.2.6 *Differentiation*

Linked to flexibility is the concept of differentiation. Prior to targeting the individual clients it would be possible and beneficial for commercial banks to differentiate service and service improvements according to certain groups.

9.3.2.6.1 Differentiate services

As noted in the research, certain groups do not utilise certain services, therefore to encourage use, it may be beneficial to adapt the service, cost, or implement campaigns specifically targeting these groups. To illustrate, low-income clients are not excessive users of debit cards or Internet banking. Clearly, low-income groups are affected by the costs associated with these services. Minimal cost reductions or discounts may encourage increased use of these services for

example campaigns where lower costs are offered to all clients earning less than R5 000 per month. As a starting point it is recommended that packages be created for the low-income groups which encourage savings. Furthermore, these clients require extensive explanations of all banking services. On the alternate end of the scale, commercial banks should increase the interest rates on investments and improve the user-friendliness (via advertising campaign) of more complex investments, in order to target high-income groups.

9.3.2.6.2 Segment the population

To implement such a strategy would require segmentation of the market. Research would determine what the requirements of each segment are. General packages could then be developed to satisfy these requirements. Individual packages could then be determined on the basis of contact with the individuals. An ideal demographic factor on which to base the segmentation would be income. Differentiation of service delivery, therefore, does not refer to the delivery of lower levels of quality service to different groups (as banks appear to be doing according to age and income in relation to this specific sample). Rather it entails that commercial banks deliver quality service to all different groups by ensuring that the individual group's needs are satisfied. Hereby, commercial banks will determine the requirements of the middle income group (via the research specified in 9.3.5 page 380). Specific packages of products and services that best satisfy their needs with quality service delivery will result in satisfied clients and positive images of the commercial banking industry. It is therefore also recommended that commercial banks improve service quality and delivery to prevent the current situation where certain groups perceive superior service quality and delivery in relation to other groups. All clients are entitled to receive quality service and all should perceive superior service quality and delivery.

9.3.3 Analyse external factors

Analysing external factors for any opportunities or threats forms the **third step** in the service model.

9.3.3.1 *Promotional packages during economic downswing*

It is imperative that commercial banks take into consideration extraneous factors and their effects on clients. Promotional packages during difficult economic times may also improve client perceptions of the industry and their satisfaction levels. For example, during periods where interest rates and petrol prices are high, a commercial bank may develop a programme where they decrease the ATM costs with a minimal amount, for example R0.10 lower fees. While not resulting in extensive benefit for clients, their perceptions of the commercial bank would improve, as well as their satisfaction levels. Other commercial banks may follow, thus providing a small relief for all clients.

9.3.3.2 *Develop services for opportunities*

It would also be recommended that commercial banks develop their investment and loan services to ensure superior quality service to cater for external opportunities such as international sporting events. The current high interest rates and the 2010 World Cup may encourage investment in South Africa. Superior service delivery facilities and packages may help to encourage any foreign investors who are hesitant to invest - this boosting the economy. Such actions will also ensure that these services are beneficial to South African clients as well. Providing more alternatives that allow low-income groups to invest will improve investment service utilisation. Loan services will be improved through the better training of staff, the offering of more flexible competitive interest rates and the delivery of detailed explanations by staff to clients.

9.3.3.3. *Research*

It would also be recommended that commercial banks research and analyse commercial banking industries in foreign countries to determine their methods of improving services, service quality and client satisfaction. As the South African industry is an oligopoly and regulated by the competition's commission, it is not feasible for banks to compete on the basis of price (costs and fees). Attention should then be given to how these foreign banks ensure service quality giving them a competitive advantage. This may be achieved by the analysis of the various banking systems of the different countries. Research indicates that Japanese banks employ extensive relationship development strategies.

9.3.4 **Increase the role of the banking council**

The Banking Council of South Africa was implemented to ensure that the Code of Banking Practice was adhered to. The Banking Council and its role forms the **fourth step** in the model.

9.3.4.1 *Develop a research department*

The Banking Council should take a more active role within the industry. An efficient way of doing this would be to develop a specific research department within the council. Currently, the individual banks or statistical bodies conduct all research in the industry. Research by this specific council could ensure that any dissatisfactory areas are corrected through the council, which can apply subtle pressure on the commercial banks to implement corrective strategies. Adjustments could even be made to the Code of Banking Practice to make the suggested changes more easier to be enforced.

9.3.4.2 *Regulator of quality service*

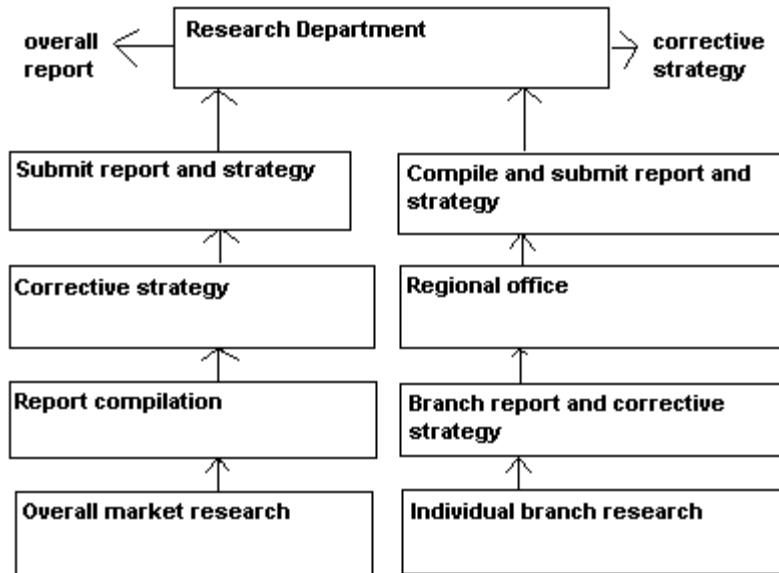
This Council could also create a department that serves solely as a regulator of quality service within the industry. As the Council is an independent body, it would be able to serve as an efficient regulator. In connection with the research conducted and the enforcement of the corrective strategies they will assist in making the results of research public, thus enlisting the clients participation in improving the quality of service delivered and protecting clients further.

9.3.4.3 *Punitive powers*

To ensure this, it is recommended that the Council employ punitive powers over commercial banks. Failure to implement strategies could result in fines for instance. The Council and Banking Ombudsman would therefore, work congruently.

9.3.5 **Develop a research plan**

Research is imperative within the commercial banking industry. All commercial banks indicated that they frequently conducted research. However, they appeared unaware of client's preferences and satisfaction levels. Consequently, the researcher assumed that while the research was conducted, corrective strategies were not always implemented. To assist commercial banks, a research plan as the **fifth step** in the service model, was created. According to this plan overall (industry) market research is conducted congruently with the individual branch research. The results of the overall and individual branch research are then forwarded to the research department of the commercial bank. The research department then takes the data from both the overall (industry) research and the individual branch research and compiles one comprehensive strategy for the commercial bank.

Figure 9.2: Proposed research plan

9.3.5.1 Structure of research

Currently, commercial banks conduct research from a top – down approach – head office commissions the research, evaluates the results and possibly implements an appropriate strategy.

9.3.5.1.1 Bottom-up approach

Frequently, top-down strategies are abandoned prior to any real effects being recorded. It would also appear that the research and results provide a general overview of the situation. Such information is not as beneficial as more in-depth research. Furthermore, conditions in specific towns / provinces differ and as such strategies employed are not always as effective in one area as in another. It would also appear that the research conducted primarily determines in what areas of service one bank is superior to another. Emphasis is not placed on client needs and preferences.

Therefore, it is recommended that research take the form of research conducted in a branch, with the necessary report and corrective strategy. These reports are then to be submitted to the regional office for the compilation of only one regional report and corrective strategy. These reports are then submitted to a research department created solely for client and service quality research.

9.3.5.1.2 Congruent with external research

Congruent to this is the conducting of what the researcher refers to as market research. This is the traditional research method to determine a commercial bank's market share and whether it offers superior service compared to other banks. Commercial banks may either elect to employ a research company to conduct this research, use the research as provided by the banking council or allow their research department to conduct this research. This report is also forwarded to the research department. The market report and regional reports are then correlated to form one single report. In this manner, client requirements, satisfaction levels and preferences are determined and combined with the overall market view to provide relevant actionable information on which to base strategies. Furthermore, the various branches already developed an appropriate strategy to improve service delivery on a local basis – thus ensuring that regional specific client requirements are fulfilled. Consequently, client satisfaction levels will improve.

9.3.5.1.3 Specific research department

It is recommended that a specific research department be created, with the sole purpose of researching both the industry and client preferences. This department will also be responsible for combining the various corrective strategy plans into one comprehensive corrective strategy.

9.3.5.2 *Continuing basis of research*

Results of implemented strategies are often only able to be determined after an extended timespan, and are therefore often aborted. It would therefore, be suggested that research be classified into two segments: basic and follow up. Basic research encompasses an overall analysis of client's usage and satisfaction levels. Follow-up research will entail the analysis of the strategies implemented. Basic research should be conducted on an annual basis (in other words once a year) while follow-up research should be conducted on a monthly basis or after the implementation of the strategies.

9.3.5.3 *Internal and external research to be conducted*

It is imperative that research be conducted both internally as well as externally. Internal research will refer to staff research. It is often overlooked that within a business staff members are also clients of other staff members. Linked to this, staff members also have requirements and needs. Should staff be satisfied they would deliver quality service. As such, research should be conducted firstly, to determine staff satisfaction levels and secondly to determine whether staff delivers quality service internally as well. Personnel accustomed to delivering quality service internally are more inclined to deliver quality service to external clients. External research refers to the clients. It would be advised that a designated person per branch be appointed in this regard. Research as mentioned in section 9.3.5.1 (page 381) will be primarily external in nature.

9.3.5.4 *Methods of research recommended*

It is recommended that survey methods be utilised to conduct the research.

9.3.5.4.1 Electronic units

Research via electronic keypad units with pre-determined questions and responses, telephone surveys in the evening or paper questionnaires provided to clients, which are placed at tellers and in designated queue points should be implemented. The electronic units are connected to a main server in which the data is stored for analysis.

9.3.5.4.2 Surveys

Due to the low response rates, telephone surveys or electronic units would be the most beneficial. While the costs are high, increased satisfaction and usage of services may offset them. Focus groups may also be utilised to provide management with immediate results.

9.3.5.4.3 Internal research

Internal research may be conducted via Internal Client Satisfaction Surveys. These will be paper-based and will be provided to all staff members who received a service from another staff member. It will be essential that these surveys remain anonymous. Use of these surveys may even be utilised within employee performance appraisals.

9.3.5.5 *Proposed Corrective Action Plans (CAPs)*

For research to be effective, it is imperative that strategies be implemented as a result of the research.

9.3.5.5.1 Actions to be implemented

These may be referred to as corrective action plans (CAPs). Comparative studies (for example age, income) will assist in determining the basis on which to develop CAPs. CAPs will clearly state which areas are problematic, as well as the necessary actions to be implemented. It is imperative that these plans be measurable and realistic. The specific problems identified will be unique to the commercial banks and as such the strategies introduced will be specific to that bank, for example ABSA delivers poor service through their staff. Therefore, a CAP would entail staff training, where FNB's would not focus as much on training of staff as FNB staff members deliver a superior service quality.

9.3.5.5.2 Per branch as well as for commercial bank as whole

Follow-up research will be conducted on a monthly basis. A CAP per branch, per region as well as an overall CAP will be created and implemented. It is likely that the service quality and client satisfaction levels will improve accordingly.

9.3.6 Improve service quality by staff

Staff plays an integral role in service quality, client satisfaction levels and relationship development. As noted in the previous chapter (Table 8.6 page 239), clients were not as satisfied with the staff component as with the other services. Consequently this will form the **sixth step** in the service improvement model.

9.3.6.1 *Training*

Increased staff training is required, especially for frontline staff. In order to deliver quality service, staff should at least have a rudimentary knowledge and understanding of all other services offered by the commercial bank. In relation to

their own individual departments, all staff members should possess extensive knowledge of all areas. To achieve this cross training should be employed. In this manner all staff members will be able to function adequately in another staff member's role. As such clients will be able to be provided with immediate answers and assistance they require.

9.3.6.2 *Mentoring, Coaching, Monitoring, Review (MCMR)*

Linked to the training aspect is MCMR, this however is more job related. It is advisable that commercial banks employ a MCMR programme.

9.3.6.2.1 Subject matter experts

This is achieved by following through a series of steps to ensure trained staff. Firstly, each staff member is assigned a mentor, who is a subject matter expert, this mentor is a staff member's first point of reference for any information related to their work functions. Should the staff member need assistance or have any queries, this is the first person that they contact. The subject matter expert will then provide a series of coaching sessions whereby on the job training is provided. Hereafter, the subject matter expert will monitor the staff member's progress and review the quality of work.

9.3.6.2.2 Review of work

Review may take place in the form of client and / or staff survey. In this manner, it will be ensured that staff is knowledgeable and competent. This is an ongoing process and should be conducted at regular intervals to ensure that staff productivity remains at optimum levels. The subject matter expert, employee and the employee's manager should sign these quality reviews. In this manner they should form part of the employee's performance appraisal, thus providing management with a quantifiable manner of measuring quality of work.

Percentages of errors are calculated and employee progress is measured accordingly.

9.3.6.3 *Training areas*

Commercial banks should increase training in areas such as client service, products, services, interpersonal skills, conflict resolving and legislation.

9.3.6.3.1 Improve training in client service

Staff should attempt to improve their client service. This will entail adopting an approachable attitude, being friendly and helpful at all times. Maintenance of a professional attitude is also essential. To better satisfy clients, staff should develop an interest in the client as an individual. Clients have clearly indicated a preference for interest by the staff member. This may be achieved by including a personal element in the dealings with clients. Furthermore, all clients should be treated equally important with no preference being assigned. Commercial staff should employ an element of personal contact into their dealings with clients. Personal touch could be referring to a client on their name (once it has been determined), for instance. In summation it is possible to indicate that staff should be trained to interact with clients in an efficient, knowledgeable and friendly manner. Relationships may be developed with regular clients, thus making clients feel that they are important and not simply a number. These relationships should be definitely created and managed. Thus it is necessary for the development of a relationship marketing strategy.

9.3.6.3.2 Professionalism

Staff needs to be familiar with the legal boundaries of the industry in which they operate. Training should be kept current to ensure that staff is familiar with all new legislation and aspects which may influence the competitiveness of the

commercial bank, such as new products, services, packages incentives and requirements related to specific products and services. In this manner staff will be equipped to deliver quality service to clients in a professional efficient manner.

9.3.7 Development of relationship marketing strategy

A relationship marketing strategy should be implemented by commercial banks. Research has indicated that commercial banks employ relationship marketing with selected clients. Clients across all groups also indicated the desire to create a relationship with the commercial bank. It is also clear that commercial banks do not have a definite strategy for relationship marketing. This is the **seventh step** in the model.

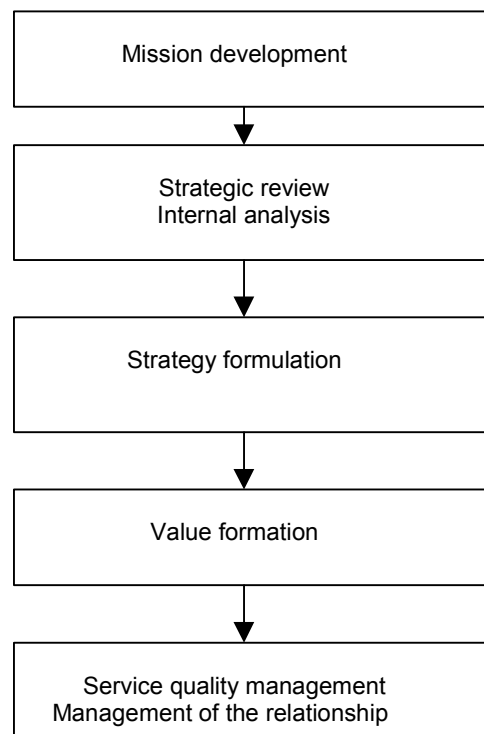
It is therefore, recommended that commercial banks develop and implement a specific relationship marketing strategy. Research also needs to be conducted to determine the manner in which clients would prefer to develop the relationship. Commercial banks will place emphasis on the service, meeting of expectations and client retention. Viable information on client preferences may be obtained, compiled in reports and submitted to management.

9.3.7.1 *Relationship marketing strategy*

To assist the commercial banking industry an example strategy plan has been developed. As commercial banks do not appear to have a clearly defined relationship marketing strategy, the developing of a relationship strategy as amended by Boone and Kurtz (2004: 366) should be implemented by commercial banks. The researcher prefers this model as it is a more current and updated model than the Peppers and Rogers (1999) model, furthermore this model takes into consideration the overall role and effect of relationship marketing within the commercial bank. This model is also congruent with previous recommendations – such as the research plan – that focus on an

overall effort by the commercial bank to improve service. In addition, the Boone and Kurtz model places emphasis upon the need to manage the relationship once it is developed. While the Peppers and Rogers model may be regarded, as the most well know strategy it may not be the most efficient method to utilise. Clients have indicated that they are not satisfied with the manner in which commercial banks develop relationships, therefore if any banks were utilising this method (commercial banks did indicate that they have a relationship marketing programme), it may be considered as unsuccessful.

Figure 9.3: Proposed marketing relationship strategy



Adapted from Boone and Kurtz (2004: 366)

9.3.7.1.1 Mission development

The commercial bank's mission statement will clearly specify the underlying values, beliefs, and goals of the commercial bank. The overall mission of the

commercial bank will also distinguish one commercial bank from another, as well as from other non-financial institutions. Mission statements must reflect the client and not the commercial banks' needs.

9.3.7.1.2 Strategic review

Strategic review and internal analysis will determine the commercial bank's strengths and weaknesses, in relation to services, products and staff. The commercial bank will ensure that they have contingency plans available in order to correct any weaknesses. Analysis of the industry is also essential, as competitor offerings and their strengths may indirectly influence the commercial bank. The commercial bank may then be able to develop a relationship marketing strategy that will be more satisfactory to clients. It is also necessary that the commercial bank has positive relationships with all its stakeholders and suppliers to ensure that all products and services are readily available when clients require them.

9.3.7.1.3 Strategy formulation

Within this step the commercial bank will specify exactly which clients will be targeted in which specific geographic areas. The methods of developing the relationship and the implementation timelines will be specified and approved by all relevant parties. Regular contact with clients, trial of new services with clients providing comments, account managers to monitor accounts and regular research will assist in this regard. Initially, a small sample group will be selected. Successful implementation with this group will indicate whether a large sample will be selected. The research timelines will also be determined and agreed upon in this step.

9.3.7.1.4 Value formation

The main driving force of relationship marketing is the client. Therefore, the commercial bank must clearly specify how they are going to ensure that clients re-purchase services, and that the re-purchase is due to the service / product providing value. Consequently, commercial banks will not emphasise price, but rather the value that clients may receive (for example ease of use at any time of the day). Linked to this will be the focus on service benefits to the client rather than the features. As such the commercial bank will deliver service packages for different groups that focus on satisfying needs, are cost efficient and flexible and are of high service quality. As commercial bank clients are widely geographically dispersed it is essential that promotional campaigns be implemented to communicate these packages.

9.3.1.7.5 Service quality management

Commercial banks will ensure that all services / products provided meet their minimum quality standards. Furthermore, they will have to implement specific research programmes to determine how clients perceive the quality of their services and the delivery thereof. Quality is seen from the client and not the commercial banks' perspective, as such clients will measure the quality once the strategy has been developed and implemented. Clients will evaluate whether the strategy meets their needs, if it is satisfactory in that it does not interfere with their activities. They will be able to better evaluate services, as they are able to communicate directly with the commercial bank. This needs to be managed to ensure its optimal effectiveness.

9.3.7.2 *Loyalty programme development*

It would be recommended that loyalty programmes be implemented in relation to all clients with whom a specific long-term relationship strategy is not created in other words the less profitable clients.

9.3.7.2.1 Rewards/incentives for clients

Rewards or incentives are provided to clients who have been clients of the bank for extended periods. As the number of year's increases, so should the value of the incentives. In this manner clients will feel valued and commercial banks will have viable retention rates on which to base decisions. In this manner relationship marketing will facilitate the increased use of services as well.

9.3.7.2.2. Monitoring of accounts

Monitoring of accounts may identify services, which will be suitable to clients. Clients are contacted and offered the service. Whether clients accept the service is irrelevant, already that initial contact has been created on the basis of interest in the client's best benefits. It is suggested that this is conducted through an electronic database, which monitors the data and provides alerts as soon as the data (salary, loan re-payments) reach a specified (increase in salary level allowing for increased personal banking benefits according to bank packages available) level alerts via email are forwarded to account managers indicating that clients should be contacted and offered new packages.

9.3.7.3 *Implementation of a relationship marketing strategy*

As mentioned in section 9.3.6.3 (page 387), a form of relationship marketing should be created with all clients and not only high-income clients. Regular

contact with clients will be able to yield valuable information that could improve service delivery.

9.3.7.3.1 Client selection parameters

It is recommended that commercial banks set clear client selection parameters. Commercial banks must clearly state the minimum investment required before clients are considered for relationship marketing, such as R10 000. Aspects such as length of time the client has been conducting business with the commercial bank (for example 10 years), alternate assets such as the portfolio of the client (offshore investments), and all need to be specified as criteria. The specific criteria will be unique to the individual banks and will be determined in accordance with their mission and values. Hereby it would be clearly stated as to which programme / form of relationship development would be targeted to which specific group. It also provides a clear foundation on which to base the relationship development process.

9.3.7.3.2 Contact and communication

An important component of the strategy is constant contact and communication with the client, via email or sms. Through contact and communication, commercial banks will determine the methods with which clients are the most satisfied, furthermore should methods not be satisfactory, commercial banks are able to alter the methods quickly.

9.3.7.4 *Database creation*

To assist with the relationship development strategy it would be beneficial if commercial banks developed a database of client information.

9.3.7.4.1 Database of client information

In this database client's details, preferences and usage patterns could be contained. Once a substantial database has been created it would be possible to identify trends in the data, which may assist in further / future strategy development. Furthermore, the usage patterns identified in the database may be utilised to identify whether clients would be willing to utilise new services.

9.3.7.4.2 Technology

Development in technology will aid the commercial bank. The creation of a database will be the main tool in this regard. Databases will allow for the building of current relationships and will create new ones. It also allows for differentiating messages and tracking relationships on an individual basis. It is, therefore, suggested that commercial banks create a database of clients. However, commercial banks must ensure that the data captured in these databases are confidential.

9.3.7.5 *Review of effectiveness of strategy*

It is essential that the effectiveness of the relationship marketing strategy be reviewed on a continuing basis.

9.3.7.5.1 Regular research

It is imperative that commercial banks conduct regular research to determine whether relationship strategies and development are effective and satisfactory for the client. Any areas of dissatisfaction should be amended and corrected with immediate effect. Commercial banks can review the effectiveness of the strategies via questionnaires or through personal feedback from the client.

9.3.7.6 *Client recovery system*

It may be beneficial for commercial banks to develop a client recovery system to re-attract those clients lost due to poor service delivery.

9.3.7.6.1 Designated staff

Designated staff could be assigned to contact all clients who have ceased utilising the commercial bank's services to determine the areas with which they were dissatisfied and attempt to regain these clients.

9.3.7.6.2 Word-of-mouth

Positive word of mouth referrals from current clients may assist in addressing negative perceptions. References from clients, who were initially dissatisfied, will also provide credibility to any initiatives. Trial programmes whereby dissatisfied or lost clients are provided with the opportunity to utilise the new adjusted services and provide feedback should be implemented.

In summation, it is possible to conclude that relationship marketing will assist in increasing client loyalty for commercial banks, as it focuses on client retention. To achieve this, the commercial bank will need to maintain constant contact with clients, over an extended time period. The sale of the service is, therefore, the beginning of the relationship. It is recommended that a relationship-marketing plan be compiled which clearly specifies the strategy to be followed and the responsible parties.

9.3.8 **Suggested supplementary forms to be implemented**

The **eighth** and final step in the service model is the compilation of supplementary forms to assist commercial bank staff to deliver quality service to

clients. Three supplementary forms may be utilised namely: feedback form, explanations checklist and internal client satisfaction form. As stated in sections 9.3.1.1 (page 359) and 9.3.2 (page 369), commercial banks' staff need to improve the manner in which they explain services to clients. It was also specified in these sections that feedback and explanation checklists would be required. These forms should be available both on the Intranet and on the website so that they are easily accessible.

Complaint / compliment forms should also be located on the website to enable clients to easily locate and complete them. Access to these forms will assist clients in becoming aware of the minimum services that should be delivered. For clients who do not have access to the Internet, they may be contacted via SMS or telephonically.

It is recommended that all data obtained on these forms be entered electronically to form a database. This information will be useful in determining client patterns and preferences in relation to service use. Automatic electronic reminders may be programmed, whereby clients are routinely contacted to determine their satisfaction levels. The following forms have been developed to ensure that all aspects are discussed with clients.

9.3.8.1 Suggested feedback form

As stated in section 9.3.1.1 (page 359), clients were particularly dissatisfied with the manner in which commercial bank staff explained loans, as well as the manner in which clients are kept informed of the progress of the loan. This electronic form will be utilised to ensure that clients receive regular updates on the progress of their loan applications. An example of a possible feedback form has been provided in Table 9.1.

Table 9.1: Proposed feedback form

Client Name			
Loan type	Personal	Residential	Vehicle Student
Loan amount	R _____		
Application Date	_____		
Feedback aspect	Conducted		Date
1. Notice of progress (within 3 days of application)	Yes	No	
2. Notice of approval of loan (In a period not exceeding a week)	Yes	No	
3. Notification of submission to attorney (if applicable)	Yes	No	
4. Potential date when funds will be available	Yes	No	
Feedback conducted by:			
Date completed			
File with client documents			

9.3.8.2 *Suggested explanation checklist*

An explanation checklist will ensure that all necessary aspects are discussed with clients by commercial bank staff. Signature by both the client and the staff member will ensure that the services were discussed with them. This may prevent problems at a later stage. This checklist will be forwarded to a client liaison staff member, once the commercial bank staff member has completed it. This client liaison will then contact the client and ascertain the client's satisfaction with the explanations they received.

The clients satisfaction / dissatisfaction may then be recorded on the form and thus provide both a method to identify training areas for particular staff members, as well as a quantifiable tool to measure service quality and delivery by staff members. Electronic capturing of this form also enable the client to be contacted at a later stage, for example six months, and questioned as to their current satisfaction with the service – hence a relationship will be developed. It is also recommended that if possible a short satisfaction questionnaire be sent via email to clients to complete.

Table 9.2: Proposed explanation checklist

Discussion			Date
Yes	No	N/A	

Mark with a (X):
 Area explained to client: _____

Explanation conducted by _____
 Date _____

Client signature _____
 Date _____

Follow-up by Client liaison

Conducted by _____
 Date _____

Client satisfaction (mark with an X)
 If dissatisfied reasons for dissatisfaction

Satisfied	Dissatisfied

Proposed date of next follow-up _____

9.3.8.3 *Suggested internal client satisfaction survey*

It would be beneficial for commercial bank staff to be evaluated by each other to determine the quality of their service delivery.

The internal client satisfaction survey will be completed when a staff member is required to perform a service or perform a function for or on behalf of another staff member. In this manner service quality as experienced will be measurable as the survey is completed once the allocated staff member has completed the task. The explanation checklist will be useful in determining areas for improvement, as well as the quality of service delivery by staff. This form should be completed electronically. From this a pattern of service delivery on the part of staff members may be created – perhaps even displayed in graph. An example of the survey is provided in Table 9.3.

Table 9.3: Proposed internal client satisfaction survey

(Please indicate on a scale of 1 to 10 the staff member's quality of service delivery)

	Teamwork – the staff member actively contributed towards the achievement of the overall goal
	Time Management – the staff member actively managed his/her time to ensure that all timelines were met
	Responsibility – the staff member took responsibility for all duties assigned to him/her
	Quality of work – the quality of work delivered by the staff member was of a high standard
	Attitude – the staff member maintains a professional attitude at all times
	Personal interaction – the staff member interacts with all team members in a positive manner as to achieve the ultimate goal

On a scale of 1 to 10, indicate your perception of the following. A 1 indicates poor, while a 10 indicates excellence.

	Overall quality of service delivery
--	-------------------------------------

Comments:

Areas where staff members do not delivery quality service are identifiable and provide training areas. These forms may contribute towards employee performance appraisals.

9.4 SUMMARY OF RECOMMENDATIONS

As not all clients are completely satisfied with the services and service delivery they received, there is still room for improvement in the service delivery of commercial banks. To assist commercial banks in this regard, a proposed model to improve service quality delivery was developed.

In this model the key areas requiring improvement are interlinked and are of a continuing nature. Improvements in relation to products and services offered,

role of the banking council and the impact of external factors were recommended in order to improve client satisfaction levels. From the service model three main recommendations were identifiable namely; a definitive research plan, emphasis is to be placed on staff and staff training and the development of a relationship marketing plan. Through this proposed service improvement model it is possible to determine clients' wants, needs preferences (via the research strategy), provide the services professionally and efficiently (through the training of staff), as well as ensuring that clients remain loyal and continue to support that particular commercial bank (by means of a relationship marketing strategy). It is proposed that by following these steps, it will result in satisfied clients and ultimately increase a commercial bank's market share and profitability.

9.5 AREAS FOR FURTHER RESEARCH

It would be beneficial for research to be conducted into client dissatisfaction. In-depth analysis of client dissatisfaction will further enable commercial banks to identify trends, which may be rectified. Comparative analysis between the provinces and / or branches would also determine whether dissatisfaction levels vary and the potential reasons therefore. It would also be advantageous for comparative research to be conducted between the satisfaction levels of South African clients and those of international commercial bank clients. By executing this, it may be possible to identify innovative client service techniques to improve client satisfaction levels.

It would be suggested that further research be conducted into possible initiatives for low-income groups, as well as the reasons for minimal use of Internet services. The possibility of increased automation of services and client satisfaction therewith could be analysed. It would also be suggested that research into call centres and development of strategies be employed to improve the service delivery of these units.

The probable changes in bank costs and their effect on the industry may be researched further. It would be advantageous for a comparative study to be conducted within ten years (2018) to determine whether the implementation of relationship marketing strategies, and whether reduction of bank costs, resulted in increased satisfaction levels amongst clients. A ten year period will allow for a viable comparison to be made; market fluctuations in the market will not have an immediate effect on the results and will also provide commercial banks sufficient time in which to implement the strategies and develop the methods most suited to their individual situations. It would be suggested that further more in-depth research be conducted into the areas distinguished within this study, as they may contribute towards the industry as a whole.

9.6 CONCLUSION

The purpose of this study was to determine whether a negative image of the commercial banking industry, due to poor service delivery, existed among commercial bank clients in South Africa. To provide a clear insight as to the concepts of service delivery and the commercial banking industry, a literature study was conducted. To determine the perceptions of commercial bank clients, a two-tier empirical study was conducted. Hereby both commercial banks and clients were surveyed.

The empirical study concluded that clients are satisfied on an overall basis with the service delivery they received, which indicates that negative perception of the industry do not exist among clients. There are however, certain areas requiring improvement as clients were not completely satisfied with the service delivery they received. These areas were the manner of developing relationships, staff service delivery, explanation of services and the conducting of research by commercial banks.

To improve these areas, a service improvement model was developed. Hereby, it was emphasised that by the following of these interactive steps the service delivery and client satisfaction levels could be improved. Various methods to improve products and services offered were provided. A definitive research strategy, staff training and the development of a relationship marketing strategy were advocated.

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APPENDIX A
Client Questionnaire

[illegible]

	Yes	No	Very dissatisfied	Dissatisfied	Satisfied	Very satisfied	D/K
10.4. Off-shore investments <i>Buitelandse belegging</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.5. Mutual funds <i>Gemeenskaplike fondse</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.6. Annuities <i>Annuiteite</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.7. Money Market Accounts <i>Geld Mark Rekenings</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.8. Retirement funds <i>Aftree fondse</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.9. Stock <i>Effektebeurs</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.10. Insurance (life insurance, etc.) <i>Versekering (b.v. lewens versekering, ens.)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.11. Explanation of these services (e.g. terms and conditions, interest rates, etc.) <i>Verduideliking van hierdie dienste (bv. terme en voorwaardes, rentekoerse ens.)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.12. Other GO TO Q11 <i>Ander</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

11. Please specify *Spesifiseer asseblief*

12. Is there any area in terms of Investment Banking services with which you were dissatisfied? ☐ Yes GO TO Q13 ☐ No GO TO Q14
Is daar enige aspekte van die Beleggings dienste waarmee jy ontevrede is?

13. Please explain *Spesifiseer asseblief*

LOANS *LENINGS*

14. Do you use or used in the recent past loans from a bank (e.g. building loans, personal loans)? ☐ Yes GO TO Q15 ☐ No GO TO Q20
Gebruik jy, of het jy al in die verlede van 'n bank se lenings gebruik (b.v. boulenings, persoonlike lenings)?

15. Please indicate whether you use or used the following services and your satisfaction with the services in general
Dui asseblief aan of jy die volgende dienste gebruik het en ook jou tevredenheid met die dienste oor die algemeen:

	Yes	No	Very dissatisfied	Dissatisfied	Satisfied	Very Satisfied	D/K
15.1. Residential loans <i>Huislenings</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.2. Building loan <i>Boulening</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.3. Personal loan <i>Persoonlike lening</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.4. Vehicle finance <i>Motor finansiering</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.5. Student loan <i>Studentelening</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.6. Explanation of these services (e.g. terms and conditions, interest rates, etc.) <i>Verduideliking van hierdie dienste (bv. terme en voorwaardes, rentekoers ens.)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.7. Other GO TO Q16 <i>Ander</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

16. Please specify *Spesifiseer asseblief:*

17. You indicated that you use some of the loans specified above, now please indicate whether the bank discussed the following with you when you obtained the loan, and your satisfaction with the discussion

Jy het aangedui dat jy van die lenings hierbo gebruik, dui nou asseblief aan of die bank die volgende met jou bespreek het, en ook jou tevredenheid daarmee:

	Yes	No	NA	Very dissatisfied	Dissatisfied	Satisfied	Very Satisfied	D/K
17.1. Procedure of obtaining a loan <i>Aansoek vir lening</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.2. Determination of granting of loan <i>Goedkeuring van verband</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.3. Time span for approval of loan and repayment <i>Tydperk van goedkeuring van die lening</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.4. Requirements (documents etc.) <i>Dokumentasie wat benodig is</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.5. Fees and costs involved <i>Foerie en kostes betrokke</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.6. Interest charged <i>Rentekoers wat gehef word</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

18. Is there any area in terms of loans services with which you were dissatisfied? *Is daar enige aspekte van lenings waarmee jy ontevrede is?* ☐ Yes **GO TO Q19** ☐ No **GO TO Q20**

19. Please explain *Verduidelik asseblief:*

FOREIGN EXCHANGE *BUITELANDSE VALUTA*

20. Do you use or used in the recent past any foreign exchange services from a bank? ☐ Yes **GO TO Q21** ☐ No **GO TO Q24**
Gebruik jy of het jy al in die verlede buitelandse valuta dienste van 'n bank gebruik?
21. Have you purchased foreign currency from your bank? ☐ Yes **GO TO Q22** ☐ No **GO TO Q24**
Het jy al buitelandse valuta van jou bank gekoop?
22. Did they explain the procedure for buying foreign currency to you? ☐ Yes ☐ No
Het hulle die prosedure van die koop van buitelandse valuta aan jou verduidelik?
23. Were you satisfied with the services you received? ☐ Yes ☐ No
Was jy tevrede met die diens wat jy ontvang het?

GENERAL BANKING EXPERIENCE *ALGEMENE ERVARING VAN BANKDIENSTE*

24. Please indicate your general satisfaction with the bank's services in relation to the following:
Dui asseblief aan jou algemene tevredenheid met die volgende aspekte van bankdienste:

	Very dissatisfied	Dissatisfied	Satisfied	Very satisfied	D/K
24.1. I understand all aspects of my banking <i>Ek verstaan alle aspekte van die gebruik van bankdienste</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24.2. Manner in which bank tries to develop a relationship with me (cold calls, brochures, telephone canvassing etc.) <i>Die manier waardeur my bank 'n verhouding met my ontwikkel (sms, telefoon oproepe, brosjures ens.)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24.3. Services offered (e.g. helpdesk, monthly statements etc.) <i>Dienste aangebied (b.v. navrae, maand state ens.)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24.4. Products offered (e.g. credit cards, debit cards, loans etc.) <i>Produkke aangebied (b.v. krediet kaarte, debiet kaarte, lenings ens.)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24.5. Quality of service delivered <i>Kwaliteit van die diens wat hulle lewer</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24.6. Satisfaction with banking experience <i>My tevredenheid met my ervaring van bankdienste</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24.7. Service delivery by staff <i>Diens wat personeel lewer</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24.8. Friendliness of staff <i>Vriendelikheid van die personeel</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24.9. Staff were knowledgeable about products, services, terms & conditions, etc. <i>Personeel het kennis gedra van produkte, dienste, terme en voorwaardes ens.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24.10. Staff were interested in my individual needs <i>Personeel het in my persoonlike behoeftes belang gestel</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24.11. Ease of use of Systems (e.g. ATM's, online banking, etc.) <i>Dit was maklik om die stelsels te gebruik (b.v. OTM's, internet bank dienste, ens.)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24.12. Facilities were easily available and convenient <i>Fasiliteite was beskikbaar en maklik om te gebruik</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24.13. Bank costs in relation to services <i>Bank kostes met betrekking tot die dienste aangebied</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24.14. Management of my investment <i>Bestuur van my belegging</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24.15. Bank keeps me constantly informed of all changes that may affect me <i>Die bank hou my op hoogte van alle veranderings wat my mag raak</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

25. Please respond to the following statements:

Reageer asseblief op die volgende stellings:

Yes No D/K

25.1. Would you prefer to interact with staff rather than use electronic equipment?

Sou jy verkies om met die personeel self te kontak in plaas van met elektroniese apparaat?

☐ ☐ ☐

25.2. Would you prefer automation of all systems (i.e. no interaction with staff)?

Sou jy verkies dat die stelsels heeltemal elektronies word (m.a.w. geen kontak met personeel)?

☐ ☐ ☐

25.3. Is there any specific area in terms of our general banking experience with which you were especially dissatisfied?

Is daar enige spesifieke aspek van jou algemene bank ervaring waarmee jy ontevrede was?

☐ ☐ ☐

26. Do you have any suggestions on how banks may improve their services?

Het jy enige voorstelle waardeur banke hulle dienste kan verbeter?

27. Of which bank are you a client? *Dui aan watter bank(e) jy gebruik*

More than one option possible

Meer as een opsie moontlik

☐ ABSA

☐ Nedbank

☐ Refuse to answer

☐ Standard Bank

☐ Other *Ander* **GO TO Q28**

28. Please specify *Spesifiseer asseblief:*

29. Number of years that you have been a client of the bank?

Die aantal jare wat jy 'n klient van die bank is?

☐ Less than 5 years
Minder as 5 jaar

☐ 5 to 10 years
5 - 10 jaar

☐ More than 10 years
Meer as 10 jaar

If you are a client of more than one bank, please indicate the cumulative number of years that you have been using bank services

As jy 'n klient van meer as een bank is, dui asseblief aan die algemene jare wat u die dienste van 'n bank gebruik

DEMOGRAPHICS *DEMOGRAFIE*

READ OPTIONS

30. To which age group do you belong?

Tot watter ouderdoms groep behoort jy?

☐ 21-30

☐ 31-40

☐ 41-50

☐ 51-60

☐ Over 60

31. To which income group do you belong?

Tot watter inkomste groep behoort jy?

☐ < R1 000 (LSM 1)

☐ R4 001 - R6 500 (LSM 6)

☐ R1 000 - R1 400 (LSM 2)

READ OPTIONS

☐ R6 501 - R8 500 (LSM 7)

☐ R1 401 - R1 800 (LSM 3)

☐ R8 501 - R11 500 (LSM 8)

☐ R1 801 - R2 400 (LSM 4)

☐ R11 501 - R18 700 (LSM 9)

☐ R2 401 - R4 000 (LSM 5)

☐ > R18 700 (LSM 10)

This was the last section - Thank you for your time

Dit was die laaste afdeling - Dankie vir jou tyd

32. Gender:

☐ Male

☐ Female

33. Province:

☐ Kwa-Zulu Natal

☐ Western Cape

Please select only one

Kies asseblief net een

☐ Gauteng

☐ Northwest

☐ Eastern Cape

☐ Free State

☐ Limpopo

☐ Northern Cape

APPENDIX B
Bank Questionnaire

- a Personal banking (e.g. deposits, cheques, debit/credit cards, internet banking)
- b Investment banking (e.g. savings, will, insurance)
- c Loans (e.g. home, personal, overdraft, car)
- d Foreign exchange (e.g. buying foreign currency)

YES	NO	NA
-----	----	----

2.1 a) Using the table provided below, please indicate the extent to which your bank delivers the services described.

b) Please use the table provided to indicate client satisfaction with the services offered

Extent of Delivery						Level of satisfaction				
a	Deposits (e.g. salary payment deposits)	A	F	S	N	VS	S	DS	VDS	NA
b	Credit cards facility (e.g. availability, costs etc.)	A	F	S	N	VS	S	DS	VDS	NA
c	Debit cards	A	F	S	N	VS	S	DS	VDS	NA
d	Telephone banking	A	F	S	N	VS	S	DS	VDS	NA
e	Cell-phone banking	A	F	S	N	VS	S	DS	VDS	NA
f	Internet banking	A	F	S	N	VS	S	DS	VDS	NA
g	Debit orders	A	F	S	N	VS	S	DS	VDS	NA
h	Savings options	A	F	S	N	VS	S	DS	VDS	NA
i	Other									

INVESTMENT BANKING

- | Extent of Delivery | | | | | | Level of satisfaction | | | | |
|--------------------|---|---|---|---|---|-----------------------|---|----|-----|----|
| a | Trust administration (wills) | A | F | S | N | VS | S | DS | VDS | NA |
| b | Investment deposits | A | F | S | N | VS | S | DS | VDS | NA |
| c | Unit trusts | A | F | S | N | VS | S | DS | VDS | NA |
| d | Off-shore investments | A | F | S | N | VS | S | DS | VDS | NA |
| e | Mutual funds | A | F | S | N | VS | S | DS | VDS | NA |
| f | Annuities | A | F | S | N | VS | S | DS | VDS | NA |
| g | Money Market Accounts | A | F | S | N | VS | S | DS | VDS | NA |
| h | Retirement funds | A | F | S | N | VS | S | DS | VDS | NA |
| i | Stock | A | F | S | N | VS | S | DS | VDS | NA |
| j | Insurance (life insurance etc.) | A | F | S | N | VS | S | DS | VDS | NA |
| k | Explanation of these services
(e.g. terms and conditions,
interest rates etc) | A | F | S | N | VS | S | DS | VDS | NA |
| l | Other
_____ | | | | | | | | | |

LOANS

4.1 a) Using the table provided below, please indicate the extent to which your bank delivers the services described.

b) Please use the table provided to indicate client satisfaction with the services offered

Extent of Delivery						Level of Satisfaction				
a	Residential loans	A	F	S	N	VS	S	DS	VDS	NA
b	Building loan	A	F	S	N	VS	S	DS	VDS	NA
c	Personal loan	A	F	S	N	VS	S	DS	VDS	NA
d	Vehicle finance	A	F	S	N	VS	S	DS	VDS	NA
e	Student loan	A	F	S	N	VS	S	DS	VDS	NA
f	Explanation of these services (e.g. terms and conditions, interest rates etc)	A	F	S	N	VS	S	DS	VDS	NA
g	Other _____									

4.2 a) Using the table provided below, please indicate the extent to which your bank explains the following services to your customers.

b) Please use the table provided to indicate client satisfaction with the services offered.

Extent of Delivery						Level of satisfaction				
a	Procedure of obtaining a loan	A	F	S	N	VS	S	DS	VDS	NA
b	Determination of granting of loan	A	F	S	N	VS	S	DS	VDS	NA
c	Time span for approval of loan and repayment	A	F	S	N	VS	S	DS	VDS	NA
d	Requirements (documents etc)	A	F	S	N	VS	S	DS	VDS	NA
e	Fees and costs involved	A	F	S	N	VS	S	DS	VDS	NA
k	Interest charged	A	F	S	N	VS	S	DS	VDS	NA

FOREIGN EXCHANGE

- 5.1 Does your bank sell foreign currency?
Do you explain the procedure for buying foreign currency to your clients?
- 5.2 Are your clients satisfied with the current delivery of this service?
- 5.3

YES	NO	NA
YES	NO	NA
YES	NO	NA

GENERAL BANKING EXPERIENCE

6.1 Please indicate the commercial bank's perception of the client's general satisfaction in relation to the following:

a	Services offered (e.g. helpdesk, monthly statements etc)	VS	S	DS	VDS	NA
b	Products offered (e.g. credit cards, debit cards, loans etc)	VS	S	DS	VDS	NA
c	Overall quality of all services delivered	VS	S	DS	VDS	NA
d	Satisfaction with banking experience	VS	S	DS	VDS	NA
e	Service delivery by staff	VS	S	DS	VDS	NA
f	Friendliness of staff	VS	S	DS	VDS	NA
g	Knowledgeability of staff (about products, services, terms & conditions etc.)	VS	S	DS	VDS	NA
h	Staff interest in individual client needs	VS	S	DS	VDS	NA
i	Ease of use of Systems (e.g. ATM's, online banking etc.)	VS	S	DS	VDS	NA
j	Availability and convenience of facilities	VS	S	DS	VDS	NA
j	Bank costs in relation to services	VS	S	DS	VDS	NA
k	Management of client investment	VS	S	DS	VDS	NA
l	Degree to which the bank keeps clients informed about any possible changes that may affect them	VS	S	DS	VDS	NA
m	Client understanding of their banking	VS	S	DS	VDS	NA
n	Manner in which your bank tries to develop a relationship with your clients (cold calls, brochures, telephone canvassing etc)	VS	S	DS	VDS	NA

- 6.2.a Has your bank adopted a policy on using relationship marketing?
- 6.2.b Does your bank select specific clients with which to develop a relationship?

YES	NO	
YES	NO	NA

- 6.3 If you don't develop a relationship with clients, why not?
(If answered yes for 6.2.a please leave blank)

- 6.4 Please indicate the methods utilised by the commercial bank to develop relationship marketing with clients

- 6.5 If you select specific clients with whom to develop a relationship – on what basis do you select the clients?

- 6.6 Please list the measures utilised to measure the quality of the commercial bank's service delivery.

- 6.7 Explain the methods utilised by the commercial bank to determine the level of client satisfaction?

THANK YOU FOR YOUR CO-OPERATION.

APPENDIX C

Cover Letters



4/16/2008

Dear Sir/ Madam

BANK CLIENT SURVEY

The quality of services rendered by banks is very important to the financial success of both clients and banks.

In order to address this issue, Me Kirsty Botes is currently undertaking a research project to collect information in the quality of service delivery in the South African banking industry.

The envisaged title of the study is: "An investigation of the quality of service delivery by the commercial banking industry in South Africa." With this in mind, please complete the attached questionnaire as accurately as possible. The questionnaire will take about 20 minutes to complete.

Total confidentiality is guaranteed. The information from the questionnaires will only be used to test the questionnaire. Please complete the questionnaire as soon as possible.

Your co-operation and assistance is much appreciated.

Yours sincerely

Me Kirsty Botes
D.Tech: Marketing student
Tel: 0836997378

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FACULTY OF MANAGEMENT
SCIENCES.



9/4/2008

Dear Sir/ Madam

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Total confidentiality is guaranteed. The information from the questionnaires will only be used to test the questionnaire. Please completed the questionnaire as soon as possible and return it before 30 June 2008.

Your co-operation and assistance is much appreciated.

Yours sincerely

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APPENDIX D

Additional sources utilised for chapter 6

LIST OF ADDITIONAL SOURCES CHAPTER 6

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